

Stock Symbol: 5483



**Sino-American Silicon Products Inc.**

## **2016 Annual Report**

Issue Date: May 16, 2017

Information website: <http://newmops.twse.com.tw>

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- Spokesman

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## I. Letter to Shareholders

### Sino-American Silicon Products Inc.

#### Fiscal 2016 Business Report

Dear Shareholders,

Thank you for joining SAS annual general meeting. We deeply appreciate your support.

The year 2016 was surly full of dramatic changes to the Taiwan solar industry. The market showed an overall supply shortage resulted from the strong demand over China market in the first half and then drastically fallen into irrational price down due to the end of China's installation rush and low price driven by high inventory. Price lower than the cost caused makers at home again had to face the pressure from loss. In 2016, SAS continued to generate group revenue through resource integration, leading technology capability and differentiation selling strategy. In solar business, consolidated revenue accumulated NT\$13.2 billion, up 2% YoY. Owing to the price drop of the entire supply chain plus losses from long-term investment recognition and exchange rates, our revenue failed to achieve the expected goal in 2016. Nevertheless SAS still kept increases in revenue and the minimum of losses by taking selected orders, reducing and adjusting the inventory and cost control. The group consolidated revenue for 2016 amounted to NT\$31.59 billion, up by 12% than NT\$28.26 billion of the previous year. Net loss was NT\$1.28 billion with an EPS of –NT\$2.77.

The 2016 operating results and 2017 business plan overview are presented as follows.

#### A. Operation Performance in 2016

##### 1. Operation Performance

Unit: NT\$'000

Year Item	2016 (IFRSs)	2015 (IFRSs)	Change (%)
Operating Revenue	31,599,040	28,269,357	11.78%
Operating Costs	28,164,027	23,998,126	17.36%
Operating Profit from Operations	3,435,013	4,271,231	(19.58%)
Operating Expenses	3,392,953	2,034,619	66.76%
Operating Income (Loss)	42,060	2,236,612	(98.12%)
Income before Tax (Loss)	(856,378)	1,960,181	(143.69%)
Net Income (Loss)	(1,289,006)	1,056,402	(222.02%)

Net Income Attributable to the parent Company	(1,589,225)	534,837	(397.14%)
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Almost all production lines of Taiwanese makers were fully loaded in the first half of 2016 while a heavy slump in prices came right after the shortage of demand in the latter half. According to data from MIC, the installation of the global PV in 2016 was 79.4GW, increasing by 43% compared with the 55.4GW in 2015. In 2015 SAS solar business focused on cost reduction and conversion efficiency of high efficiency products. In reinvestment business SAS also brought good performance. GWC, its semiconductor business unit made contribution with NT\$18.43 billion of consolidated revenue, NT\$939 million of net income and NT\$2.54 EPS.

2. Budget Implementation: No financial forecast for 2016

3. Profitability Analysis

Item		2016	2015
Financial Structure	Debt ratio (%)	67	38
	Long-term funds to fixed assets (%)	122	191
Profitability	Rate of return on assets (%)	(1.43)	2.57
	Rate of return on stock equity (%)	(4.62)	4.21
	Operating income to capital (%)	0.73	24.94
	Income before tax to capital (%)	(14.76)	33.19
	Net income to sales (%)	(4.08)	3.74
	Earnings per share (NT\$)	(2.77)	0.93

4. Financial structure

2016 revenue is NT\$31,599,040,000. Operating cost is NT\$28,164,027,000. Operating expense is NT\$3,392,953,000. Other income is NT\$898,438,000. Net income before tax is NT\$856,378,000. Net income after tax is NT\$1,289,006,000. The financial structure is healthy.

5. Research & Development Status

1) 2016 Research & Development Expenditure

Unit: NT\$'000

Item/ Year	2016	2015
Research & Development Expenses	976,091	790,448
Net Revenue	31,599,040	28,269,357
R&D Expenses to Net Revenue (%)	3.09	2.80

2) Research & Development Achievement in 2016

Our technology / products

(1) Ultra efficiency multi-crystal black wafer

- (2) High strength solar wafer
- (3) N type solar wafer
- (4) Ultra-thin solar wafer
- (5) DW mc-si wafer
- (6) High efficiency mono-crystal solar cell

#### Future Plan

- (1) A6+ crystal growth technology
- (2) Low impurity diffusion multi-crystal ingot growth technology
- (3) G6 hot zone energy conservation technology
- (4) Ultra efficiency P type mono-crystal solar cell
- (5) Extra high efficiency and low lid P-type solar cell

### B. 2017 Operation Guideline

#### 1. Guideline

- 1) Maintaining our leading advantages for the mono-Si PERC cell conversion, improving the production and quality of high efficiency multi-Si cells so as to provide customer service with vertical integration and stimulating customers' interest to change.
- 2) Heating up the momentum of new technology and new product development, as well as continuous development of high efficiency mc-si crystal growth and ultra-thin silicon wafer precision machining technology. Accelerating diamond wire cut multi black wafers and R wafers new product release to create our competitiveness core.
- 3) Aggressively planning layout for expending solar power plants in response to government's renewable energy policy by catching up with the local installation rush so as to accumulate the momentum to expend overseas markets through the investment experience in Taiwan

#### 2. Sales Forecast

According to the data from MIC, due to slow demand of installation in the US, subsidies cut by Japanese government and the installation suspension from China, the forecast for 2017 installation volume will drop to 73GW. In summary, the market trend is seeking for high conversion efficiency development, such as high efficiency wafers, high efficiency cells and high efficiency modules. Thus SAS will focus on improving the quality and conversion efficiency of high efficiency Si wafers and Celco mono-crystal cell. Developing new generation of products with high efficiency and price competitiveness will help keep us well positioned in the market.

#### 3. Sales & Production Policy

- 1) Seeking for new customers and developing emerging areas such as India and Southeast Asia.
- 2) Enhancing the connection with downstream customers and increasing added value by core technology capability and lower manufacturing costs for profitable opportunities.



- 3) Establishing long-term and steady cash income by adopting an overall vertical integration strategy and responding to the government's green power policy.
4. Future Strategy
  - 1) Making a breakthrough on Si wafers and cells so as to release high efficiency wafer and cell products of the next generation.
  - 2) Maintaining our position by resource integration, cost reduction, as well as skill and product differentiation.
  - 3) Establishing integrated supply chain from up, middle and downstream and reducing operating risks through vertical and diversified strategy so as to become a global leading green energy provider.
  - 4) Aggressively involving in solar power plant business and construction service to expand markets continuously at home and abroad.
5. Influences from External Competition, Regulations and Economy
  - 1) To survive from various competitors and oversupply, SAS has aggressively continued to explore new customers and provide superior products and service by developing highly cost-effective new products.
  - 2) To respond the price drop out of oversupply, SAS will improve the connection with downstream customers to increase our value by developing high efficiency niche products through our core technology.
  - 3) Establishing global patent core strategy to enhance our capability facing international competitiveness and market changes.

Looking forward to 2017, the global solar market will enter a slow season due to various factors of installation decline, oversupply and policy changes from the government. It is going to be another challenging year with uncertainty for most Taiwanese solar makers. According to data from MIC, it is assumed that supply will add up to 90GW while only 76.9GW is demanded from the market. The oversupply is estimated to affect the price for cell as well as gains of manufacturers. To fight in such industry environment, the main target of SAS is to reduce costs and speed up the development of our high efficiency products of the next generation for building up our competitive advantage. SAS has already accomplished the blueprint for our territory after vertical integration starting from high efficiency wafers at the upstream to cells, modules and high efficiency mono-crystal PERC product out of mid to downstream plus an entire layout of the system arrangement. SAS will continue to expand our layout regarding solar power farms and aggressively increase the power farm construction domestically through group integration so as to stabilize long-term gains with sound operating scale for accomplishing the goal of maximizing benefits of shareholders and continuous operation of the industry.

Chairman	M.K. Lu
President	Doris Hsu
Chief Accountant	Betty Chiu

## II. Company Profile

### 2.1 Date of Incorporation: January 21, 1981

### 2.2 Major Business

CC01080 Electronic component manufacture

IG03010 Energy technology services

F401010 International trade

(1) R&D, designing, manufacturing and sales of the following products:

- Silicon-based semiconductor materials and their components
- Varistor
- Optoelectronic and communication silicon wafer materials

(2) Technical and management consulting services to the business mentioned above.

(3) Technical services to integration and installation of optoelectronic power generation systems

(4) Operation of import/export trade related to the Company core businesses.

### 2.3 Corporate Milestones

1981	Sino-American Silicon Products Inc. founded.
1982	Pilot production of silicon ingot and wafer succeeded.
1984	Dr. David Yen elected as chairman.
1990	Capital increase to NT\$300 million approved.
1991	Automobile rectifier is succeeded in mass production and officially marketing to market.
1991	Turning to the first one, in Taiwan, which is able to do the R&D and mass production of zincoxide varistors on the Company own.
1991	Standing on the second place around the world in automobile rectifier industry with production volume over 2 million units per month, only next to Motorola in terms of total capacity.
1995	Capital increase to NT\$400 million.
1995	ISO-9002 quality assurance certificate granted.
1997	The fourth-phase plant reconstruction and expansion completed.
1997	Ms. Lin-Lin Sun elected as chairman.
1997	Capital increase to NT\$600 million.
1998	Joint venture with Songlong Electronic Co. Ltd. to manufacture varistors.
1998	Capital increase to NT\$800 million.
1998	Investing in Actron Technology Corp.
1999	QS-9000 quality assurance certificate granted.
1999	Kushan Sino Silicon Technology Company, a subsidiary, founded in China.

- 1999 Capital increase to NT\$780 million.
- 2000 Polish wafers mass production succeeded and assumed to officially run.
- 2000 Mass production in Kushan Sino Silicon assumed.
- 2001 The Company officially listed on the Gre Tai Securities Market of Taiwan.
- 2001 The award and grant due to the “Ultra Thin Wafer-An Innovative Manufacturing Process Technology” are granted by the Science Park Administration.
- 2002 The grant resulting from the proposal of “High Efficient Ingot Growing Technology for Solar Cell” is granted by the Ministry of Economic Affairs of Taiwan.
- 2002 Taking over 38.6% of total shares issued by Topsil Semiconductor Materials A/S in Denmark.
- 2003 8” Silicon Lngot trial and pilot production succeeded.
- 2004 The grant resulting from the proposal of “The development of 2.5 mohm-cm heavily Arsenic doped silicon substrate” is granted by the Science Park Administration.
- 2004 The grant resulting from the proposal of “Development of Large Size Pseudo-Square Silicon Wafer for High Efficient Solar Cell” is granted by the Ministry of Economic Affairs in terms of qualifying a leading and innovative product.
- 2004 SAS Innovation Technology Research Center established.
- 2004 The grant resulting from the proposal of “Development of High Power electronic device wafer technology” is granted by the Ministry of Economic Affairs.
- 2004 ISO 14001 certificate granted.
- 2004 Recipient of the 12<sup>th</sup> Industrial Technology Advancement Award : Excellent Enterprise Innovation Award from the Ministry of Economic Affairs
- 2004 The award and grant resulting from the proposal of “Study on The Sapphire Substrate for Blue Light Emitting Diode Application” are granted by the Science Park Administration.
- 2005 Initial SOI wafer production succeeded.
- 2005 Chunan branch established.
- 2005 TS16949 : 2002 quality assurance certificate granted.
- 2005 The award and grant resulting from the proposal of “Deep Diffused Polish wafer Development” is granted by the Science Park Administration.
- 2005 Beam laying ceremony held in Chunan branch.

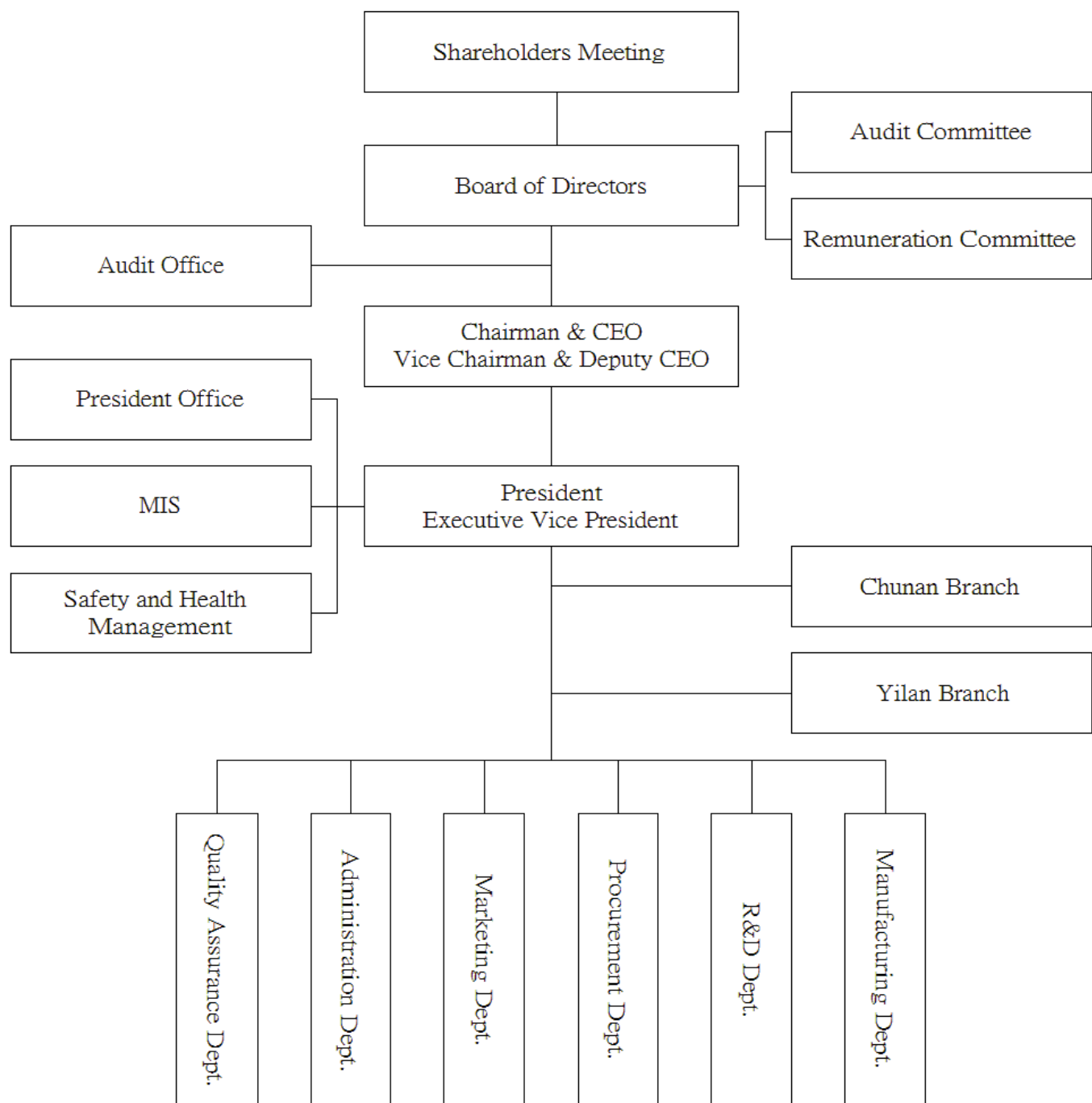
- 2005 The second-phase capacity expansion of Kunshan Sino Silicon completed.
- 2006 Trial and pilot production of Solar ingot and wafer in Chunan branch succeeded and assumed to run..
- 2006 Solar ingot and wafer in Chunan branch officially produced in mass.
- 2006 Opening ceremony for Chunan branch.
- 2007 Mr. M. K. Lu elected as chairman.
- 2008 The acquisition of 100% of GlobiTech Incorporated completed.
- 2008 Recipient of the 16<sup>th</sup> Industrial Technology Advancement Award : Outstanding Enterprise Innovation Award from the Ministry of Economic Affairs.
- 2009 Capacity of 1MW Acquaviva 3 Solar Farm in Bari, Italy installed by our subsidiary Silfab spa.
- 2010 Chunan Plant II construction completed.
- 2010 The Industry Excellence Contribution Award granted by the Ministry of Economic Affairs.
- 2010 The joint venture agreement which is planned to found a new joint venture named Sinosolar Corp. is signed by Sino-American Silicon Products Inc, Solartech Energy Corp and SingTung Investment Ltd. Sinosolar Corp.
- 2011 TIPS certificate approved.
- 2011 SAS completed to carve out semiconductor business to GlobalWafers Co., Ltd. and sapphire business to Sino Sapphire Co., Ltd.
- 2011 Subsidiary, GlobalWafers Co., Ltd., finished acquisition of semiconductor department of Covalent Silicon Corporation
- 2012 Aegis® Wafer received Silicon Innovation Award in 2012 Solar Industry Awards
- 2013 Subsidiary, Sino Sapphire Co., Ltd., is merged with Crystalwise Technology Inc.
- 2013 TIPS certificate approved
- 2013 Completed a merger with Sinosolar Corporation to integrate its solar business resources.
- 2013 Won the US patent value top 50 among listed companies in Taiwan
- 2014 Completed a merger with Sunrise Global Solar Energy
- 2015 OHSAS 18001 certificate granted for occupational safety and health management
- 2015 Won the 1<sup>st</sup> corporate governance rating "OTC companies ranked in the top five percent" performance

2015	SAS join in the solar system area, Palo plant in Philippines started construction
2016	ISO 9001:2015 certificate granted for Chunan branch
2016	ISO 14001:2015 certificate granted for Chunan branch and Yilan branch
2016	Won the 2 <sup>nd</sup> corporate governance rating "OTC companies ranked in the top five percent" performance
2016	The 50MW power farm build in Wright Island, Philippines formally began operation
2016	IOCG Laudise Prize
2016	President Doris Hsu granted Outsanding CEO Award
2016	2016 Chin-Nen Award
2017	SAS Sunrise (subsidiary) granted 2017 System Integration Award
2017	The 3rd Evaluation on Corporation Governance Award granted
2017	2016 National Invention and Creation Award

III. Corporate Governance

3.1 Organization Structure

3.1.1 Organization Chart



### 3.1.2 Responsibilities of Major Departments

Department	Responsibilities
Chairman	<ul style="list-style-type: none"> <li>-Set up business plans, strategies, and targets.</li> <li>-Execute resolutions from Board of Directors Meeting and Shareholder Meeting</li> </ul>
Audit Office	<ul style="list-style-type: none"> <li>-Inspect and assess the soundness, effectiveness and efficiency over the Company's internal control system.</li> <li>-Responsible for the execution, audit and reports over the internal controls.</li> </ul>
President and President's Office	<ul style="list-style-type: none"> <li>-Perform resolutions from meetings of Board of Directors.</li> <li>-Execution of management and projects</li> <li>-Design business plans and strategies</li> <li>-Ensure planned business targets achieved.</li> <li>-Evaluate and analyze business and management performance.</li> </ul>
MIS	<ul style="list-style-type: none"> <li>-Maintain IT hardware &amp; software</li> <li>-Plan and execute E-working</li> </ul>
Quality Assurance Department	<ul style="list-style-type: none"> <li>-Establish and maintain products standards and its relevant inspection standards.</li> <li>-Inspect on purchased materials, tools, production process, and finished products.</li> <li>-Perform product quality improvement activities.</li> </ul>
Safety Department	<ul style="list-style-type: none"> <li>-Define and modify safety and health management standards and systems</li> <li>-Identify and prevent accident and disaster risk</li> <li>-promote staff health and safety and other related business activities</li> </ul>
Administration Department	<ul style="list-style-type: none"> <li>-Manage capital, tax, assets, finance and accounting.</li> <li>-Human resource planning, recruitment, educations, and trainings.</li> </ul>
Marketing Department	<ul style="list-style-type: none"> <li>-Market strategy, explore potential market, customer communication and after service.</li> <li>-Collect market information, customer service and product application, assist the R&amp;D and promotion activities of new products.</li> </ul>
Procurement Department	<ul style="list-style-type: none"> <li>-Procure and purchase</li> <li>-Evaluate new suppliers.</li> <li>-Manage raw materials and suppliers.</li> </ul>
R&D Department	<ul style="list-style-type: none"> <li>-Perform R&amp;D, trial productions, and tests of new or re-designed products.</li> <li>-Enhance production technology and skills, capacity</li> <li>-Design and improve machineries.</li> <li>-Collaborate with academic institutions.</li> </ul>
Manufacturing Department	<ul style="list-style-type: none"> <li>-Manage production and quality, exception, utilization of raw materials, plant constructions and maintenances, human resource arrangement and training, expansion preparation and execution.</li> <li>-Plant construction and maintenance; security over environment, hygiene and safety training</li> <li>-Evaluate and purchase new machineries and in charge of maintenance and improvement.</li> </ul>



## 3.2 Information on the Company's Directors, Supervisors, President, Vice President, Assistant Vice President, and The Supervisors of All The Company's Divisions and Branch Units

### 3.2.1 Directors and Supervisors

#### (1) Directors' and Supervisors' Information

April 30, 2017 Unit: Share; %

Title	Nationality	Name	Date First Elected	Date Elected	Duration	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons' Names		Principal Work Experiences and Academic Qualifications	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Taiwan R.O.C.	Ming-Kuang Lu	Sep. 7, 1998	Jun. 26, 2014	3 years	10,950,000	1.89	11,600,000	2	2,001,685	0.35	0	0	- Honorary doctorate in Science, NCCU - President of Lite-On Semiconductor Corp. - President of Lite-On Power Semiconductor Corp. - Vice president of Silitek Corp	Note 1	N/A	N/A	N/A
Vice chairman	Taiwan R.O.C.	Tan-Liang Yao	Nov. 6, 1998	Jun. 26, 2014	3 years	1,858,395	0.36	1,800,395	0.31	14,413	0	0	0	- MBA from Tamkang University - AGM of manufacturing division, Lite-On Power Semiconductor Corp - President of the Company	Note 2	N/A	N/A	N/A
Director	Taiwan R.O.C.	Hsiu-Lan Hsu	Sep. 7, 1998	Jun. 26, 2014	3 years	1,931,085	0.37	1,706,085	0.29	0	0	0	0	- M.S. in computer science, University of Illinois - Vice president of the Company	Note 3	N/A	N/A	N/A
Director	Taiwan R.O.C.	Kang-Hsin Liu	Jun. 17, 2011	Jun. 26, 2014	3 years	0	0	0	0	0	0	0	0	- National Taiwan Ocean University - AGM of Formosa Plastics Group - Director of Chemicals & Fibre Corp.	Note 4	N/A	N/A	N/A
Director	Taiwan R.O.C.	Chin-Lung Chang	Jun. 17, 2011	Jun. 26, 2014	3 years	0	0	0	0	0	0	0	0	- M.S. in Chemical Engineering, Yokohama University - Associate professor in National Taipei University of Technology - Manager of Business/ Overseas Dept. & Supervisor of Nan Ya Plastics Corp. - Supervisor of Formosa Plastics Group	Note 5	N/A	N/A	N/A
Director	Taiwan R.O.C.	Kuei-Chang Hsu	Jun. 26, 2014	Jun. 26, 2014	3 years	0	0	524,759	0.09	0	0	0	0	- Master in HRM, Texas A&M University - Chairman and president of Sunrise Global Solar Energy	Note 6	N/A	N/A	N/A
Director	Taiwan R.O.C.	Wen-Hui Tsai	Jun. 8, 2006	Jun. 26, 2014	3 years	3,033,191	0.58	2,976,191	0.51	30,490	0	0	0	- Bachelor degree in Accounting from National Chengchi University - Director of Actherm Inc. - Director of Ene Technology	Note 7	N/A	N/A	N/A
Director	Taiwan R.O.C.	Maoyang Corporation Representative: Tie-Chih Sun	Jun. 13, 2003	Jun. 26, 2014	3 years	3,333,639	0.64	3,333,639	0.57	0	0	0	0	- Master degree in law, NCCU - Director of Hong-dien Medical Technology Company - Director of ENE Technology Inc.	Note 8	N/A	N/A	N/A
Director	Taiwan R.O.C.	Kai-Chiang Company Representative: Chi-Yao Sun	Jun. 26, 2014	Jun. 26, 2014	3 years	300,000	0.06	2,000,000	0.34	0	0	0	0	- Master in law, NCCU - Chairman of Da-kung Securities	Note 9	N/A	N/A	N/A
Director	Taiwan R.O.C.	Kun Chang Investment Co. Representative: Yu-Da Chang	Jun. 17, 2011	Jun. 26, 2014	3 years	2,202,100	0.42	2,202,100	0.38	0	0	0	0	- M.S. in Industrial & Systems Engineering, Ohio State University - Manager of China Investment and Development Company - Manager of Guan-hua Investment Company - President of Sheng-yang Management Consulting Company	Note 10	N/A	N/A	N/A
Independent director	Taiwan R.O.C.	Ting-Ko Chen	Jun. 17, 2011	Jun. 26, 2014	3 years	0	0	0	0	0	0	0	0	- Ph.D. in Business Administration, University of Michigan - Chief consultant of Ruentex Group	Note 11	N/A	N/A	N/A

Title	Nationality	Name	Date First Elected	Date Elected	Duration	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons' Names		Principal Work Experiences and Academic Qualifications	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
													<div>President of Charoen Pokphand Enterprise (Taiwan) Co., Ltd., New York</div> <div>Vice president of Formosa Plastics Group J-M USA</div> <div>Director of Chin-hua hsin Securities</div> <div>Dean &amp; professor of Business Institute, Taiwan University</div> <div>Dean &amp; professor of Business Dept., Tamkang University</div> <div>Dean &amp; chair professor of Management Dept., Asia University</div>					
Independent director	Taiwan R.O.C.	Hsin-Hsien Lin	Jun. 26, 2014	Jun. 26, 2014	3 years	0	0	0	0	0	0	0	0	<div>EMBA, Tulane University, USA</div> <div>Vice director of Lite-on Technology &amp; Lite-on Group</div> <div>CEO of Lite-On Technology</div> <div>President of Silitech Technology</div> <div>General manager of Instruments Incorporated Taiwan Branch</div>	Note 12	N/A	N/A	N/A
Independent director	Taiwan R.O.C.	Meng-Hua Huang	Jun. 17, 2011	Jun. 26, 2014	3 years	0	0	0	0	0	0	0	0	<div>EMBA, Tulane University, USA</div> <div>President of Leotek Electronics</div> <div>Manager of Instruments Incorporated Taiwan Branch</div> <div>Chief Accountant of Instruments Incorporated Taiwan Branch</div> <div>Vice president of Silitech Technology</div> <div>Vice president of Lite-on Group</div> <div>Senior vice president of Lite-on Technology</div>	Note 13	N/A	N/A	N/A

Note 1: Concurrently chairman and CEO of Actron Technology Corporation, chairman of Formerica Optoelectronics Inc., director of GlobiTech Incorporated. in U.S., director of GlobalWafers Japan Co., Ltd., legal representative of GlobalWafers Co., Ltd., legal representative of Solartech Energy Corp., legal representative of SAS Sunrise Inc., legal representative of SAS Sunrise Pte. Ltd., chairman of Sunrise PV World Co., legal representative of GWafers Singapore Pte. Ltd.

Note 2: Concurrently chairman of Kushan Sino Silicon Co. Ltd, director and CEO of Crystalwise Technology, director of GlobiTech Incorporated. in U.S., director of GlobalWafers Japan Co., Ltd., director of Actron Technology Corporation, director of Song Long Electronics Co., Ltd., supervisor of Giga Epitaxy Technology Corp., legal representative of GlobalWafers Co., Ltd., legal representative of Solar Energy Corp., supervisor of Sino-American Material Corp., legal representative of SAS Sunrise Pte. Ltd., legal representative supervisor of Sunrise PV World Co., legal representative of GWafers Singapore Pte. Ltd., remuneration committee of Taiwan Styrene Monomer Corporation, director of Yuan Hong (Shang Dong) Technical Materials Ltd., director of Shanghai Sawyer shenkai Technology Material Co., Ltd.

Note 3: Concurrently chairperson and CEO of GlobalWafers Co., Ltd., chairman and CEO of GlobiTech Incorporated in U.S., chairperson of GlobalWafers Japan Co., Ltd., vice chairperson of Kushan Sino Silicon Technology Company, chairperson of Topsil Semiconductor Materials A/S, Director of SunEdison Semiconductor Ltd., chairperson of Taisil Electronic Materials Corp, chairperson of MEMC Korea Company, chairperson of MEMC Japan Limited, director of SunEdison Semiconductor B.V., director of GWafers Inc., legal representative of Sino-American Material Corp., director of Crystalwise Technology Inc., legal representative of SAS Sunrise Inc., legal representative of SAS Sunrise Pte. Ltd., legal representative of Sunrise PV World Co., legal supervisor representative of Sunrise PV One Co., Ltd., legal representative of GWafers Singapore Pte. Ltd., supervisor of Cathay Sunrise Corporation

Note 4: Concurrently chairman of Solartech Energy Corp., chairman of Londee Corp., director of Sunshine PV Corp., chairman of Solar Energy Material and Mega Solar Energy Corp., Ltd., legal representative of Chung-yang and Huei-yang Company, legal representative of True Honour Limited in Samoa, chairperson of Astro Solartech Inc. in U.S., director of Solar PV Corp. in Cayman Island.

Note 5: Concurrently president and director of Solartech Energy Corp., legal representative and president of Sunshine PV Corp., legal representative of Hsin-hsin company, legal representative of Solar Energy Material and Mega Solar Energy Corp., Ltd., legal representative of Chung-yang and Huei-yang Company, legal representative of Sino-American Material Corp, director of True Honour Limited in Samoa, legal representative of Astro Solartech Inc. in U.S., director of Solar PV Corp. in Cayman island, legal representative of Solartech Energy Corp in Japan

Note 6: Concurrently supervisor of SPV2, SPV3, SPV4

Note 7: Concurrently director of Ene Technology Inc., director of Advanced Wireless Semiconductor Company

Note 8: Concurrently director of Yung Fu Co. Ltd., director of Business World Consulting Co., Ltd., supervisor of Career Consulting Co. Ltd.

Note 9: Concurrently legal director of Taiwan Styrene Monomer Corporation

Note 10: Concurrently vice president of investment dept. of Wei-lien Investment Company, director of Xander International Company, Solartech Energy Corp., Ledlink Optics, Inc., Neweb Information Co. Ltd., ezPay corp., Hong-wang Investment Company, Best Radio

Note 11: Concurrently chairman of Chinese Academy of Business Foundation, distinguished chair professor of PCCU, convener of the remuneration committee of Namchow Chemical Industrial Co., Ltd.

Note 12: Concurrently independent director of Rafael Micro, chairman of C.Y. Lin Cultural Foundation

Note 13: Concurrently vice CEO of Enci Foundation, Taiwan Olympic Education Board member, Independent director of YoungTek Electronics Corp., Supervisor of Prosperous society enterprise Co., Ltd.

Note 14: Kai-Chiang Company Representative: Mr. Hau Fang resigned on Feb. 19<sup>th</sup>, 2016.

Note 15: Kun-chang Investment Company Representative: Mrs. Mai-yuan Chang resigned on August 3, 2016

Note 16: Legal representative Pan Asia Solar Ltd. Resigned on May 27, 2016.

## (2) Major Shareholders of Institutional Shareholders

Table 1: Major Shareholder of Institutional Shareholders

April 30, 2017

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Maoyang Corporation	Chang Feng-Ming(76.657%), Hsu Hsu-Hua (4.957%), ThongLo Corporation(16.243%), Chang Hsi-Ning (0.357%), Chang An-Shih (0.357%), Hsu Jia-Li (1.429%)
Kai-chiang Company	Ling-ling Sun(83%), Kai-chang Fang(5%), Hau Fang(7%), Hua Hang(5%)
Kun Chang Investment Company	Christian Faith/Hope/Love Welfare Committee (19.90%), Cross-strait peace Taiwan Faith/Hope/Love Education Foundation (19.90%), Mercy Social Welfare Committee (19.90%), Via Technology Welfare Committee (19.90%)

Table 2: Major Shareholder(s) to The Company Listed in The Right Hand Column of The Above Table:

April 30, 2017

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
ThongLo Corporation	Feng-Ming Chang (88.50%), Hsu Hsu-Hua (7.12%), Maoyang Corporation(4.00%), Chang Hsi-Ning (0.19%), Chang An-Shih (0.19%)

### (3) Director and supervisor information

Conditions  Name	Meet one of the following professional qualification requirements, together with at least five years work experience			Compliance with independence criteria (Note 1)										Selected current positions/number of other public companies concurrently serving as an independent director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, College or University	A judge, public prosecutor, attorney, certified public accountant or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	
Directors														
Ming-Kuang Lu			✓					✓		✓		✓	✓	NA
Tan-Liang Yao			✓			✓	✓	✓	✓	✓	✓	✓	✓	NA
Hsiu-Lan Hsu			✓			✓	✓	✓	✓	✓	✓	✓	✓	NA
Kang-Hsin Liu			✓			✓	✓			✓	✓	✓	✓	NA
Chin-Lung Chang			✓			✓	✓			✓	✓	✓	✓	NA
Kuei-Chang Hsu			✓			✓	✓	✓	✓	✓	✓	✓	✓	NA
Wen-Hui Tsai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	NA
Maoyang Corporaton Representative: Tie-Chih Sun			✓	✓	✓	✓		✓	✓	✓		✓		NA
Kai-Chiang Company Representative: Chi-Yao Sun			✓	✓	✓	✓		✓	✓	✓		✓		N/A
Kun-Chang Investment Co. Representative: May-Yuan Chang			✓	✓		✓	✓		✓	✓	✓	✓		2
Ting-Ko Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	NA
Shing-Hsien Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Meng-Hua Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note 1: A "✓" is marked in the space beneath a condition number when a director or supervisor has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the company's total issued shares, nor is one of the company's top ten natural-person shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified Company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, Company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
- (8) Not a spouse or relative within the second degree of kinship of any other director of the Company.
- (9) Not a person of any conditions defined in Article 30 of the Company Act.
- (10) Not elected with the conditions of government, juristic person or its representative defined in Article 27 of the Company Act.

## 1.2.2 Information on the Company's President, Vice President, Assistant Vice President, and the supervisors of all the Company's Divisions and Branch Units as follows:

April 30, 2016 Unit: share; %

Title	Nationality	Name	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons' Names		Principal Work Experiences and Academic Qualifications	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Taiwan R.O.C.	Ming-Kuang Lu	Apr. 2, 2007	11,600,000	2.00%	2,001,685	0.35%	0	0	- EMBA program in National Chengchi University - Vice president of LiteOn Technology	Note 1	N/A	N/A	N/A
Vice Chairman	Taiwan R.O.C.	Tan-Liang Yao	Oct. 1, 1998	1,800,395	0.31%	14,413	0	0	0	- MBA from Tamkang University - Assistant vice president at Lite-On GMBH. - President of the Company	Note 2	N/A	N/A	N/A
President	Taiwan R.O.C.	Hsiu-Lan Hsu	Feb. 1, 2008	1,706,085	0.29%	0	0	0	0	- M.S. in computer science from University of Illinois - President of Creative Sensor Inc. - Vice president of the Company	Note 3	N/A	N/A	N/A
Yi-lan branch President	Taiwan R.O.C.	Kuei-Chang Hsu	Aug. 1, 2014	524,759	0.09%	0	0	0	0	- HRM master of Texas A&M University - Master of machinery institute from Yuan Ze University - Chairman and president of Sunrise Global Solar Energy - Energy institute of Industrial technology research institute	Note 4	N/A	N/A	N/A
Production Vice President	Taiwan R.O.C.	Chun-Hau Shih	Sept. 2, 2014	35,000	0.01%	0	0	0	0	- Bachelor of Engineering Dept. of Cheng-Gong University - Vice president of manufacturing center of Sampotech - Senior vice president of Sunrise Global Solar Energy	N/A	N/A	N/A	N/A
Sales & Marketing Vice President	Taiwan R.O.C.	Yu-Tse Lin	Oct. 1, 2005	50,369	0.01%	0	0	0	0	- Master degree in Mineral and Metallurgical Engineering, National Cheng Kung University - Vice manager of General Semiconductor Taiwan	Note 5	N/A	N/A	N/A
Industry Development Vice President	Taiwan R.O.C.	Chung-Wei Lee	March 21, 2017	0	0%	0	0	0	0	- MBA of Meiji University Japan - Executive vice president & president of Covalent Materials Taiwan - AGM of Mitsui & Co. Ltd. Taiwan	Note 6	N/A	N/A	N/A
R&D Chief	Indonesia	Budi Tjahjono	August 7, 2016	0	0	0	0	0	0	- Doctor degree, UNSW Australia - Technology Chief of Sunrise Global Solar Energy.	N/A	N/A	N/A	N/A
Material Vice President	Taiwan R.O.C.	Tai-Lung Ma	Jan. 1, 2016	3,000	0	0	0	0	0	- Master degree in Feng-Chia University of Science and Technology - Product & Engineer Manager of Song Long Electronics Co., Ltd	N/A	N/A	N/A	N/A
Material Senior Manager	Taiwan R.O.C.	Cheng-Mu Wu	Dec. 1, 2005	10,000	0	0	0	0	0	- Master degree in Electrical Engineering, Minghsin University of Science and Technology - Manufacturing director of GIGABYTE Technology Co. LTD	N/A	N/A	N/A	N/A
Finance Accounting Manager	Taiwan R.O.C.	Mei -Ying Chiu	Apr 27, 2010	61,213	0.01%	55	0	0	0	- Class of MBA at Feng-Chia University - Audit of RSM International - Accountant in Middle area of E-Life Mall - Assistant of Carrefour	N/A	N/A	N/A	N/A

Note 1: Concurrently chairman and CEO of Actron Technology Corporation, chairman of Formerica Optoelectronics Inc., director of GlobiTech Incorporated. in U.S., director of GlobalWafers Japan Co., Ltd., legal representative of GlobalWafers Co., Ltd., legal representative of Solartech Energy Corp., legal representative of SAS Sunrise Inc., legal representative of SAS Sunrise Pte. Ltd., chairman of Sunrise PV World Co., legal representative of GWafers Singapore Pte. Ltd.

Note 2: Concurrently chairman of Kushan Sino Silicon Co. Ltd, director and CEO of Crystalwise Technology, director of GlobiTech Incorporated. in U.S., director of GlobalWafers Japan Co., Ltd., director of Actron Technology Corporation, director of Song Long Electronics Co., Ltd., supervisor of Giga Epitaxy Technology Corp., legal representative of GlobalWafers Co., Ltd., legal representative of Solar Energy Corp., supervisor of Sino-American Material Corp., legal representative of SAS Sunrise Pte. Ltd., legal representative supervisor of Sunrise PV World Co., legal representative of GWafers Singapore Pte. Ltd., remuneration committee of Taiwan Styrene Monomer Corporation, director of Yuan Hong (Shang Dong) Technical Materials Ltd., director of Shanghai Sawyer shenkai Technology Material Co., Ltd.

Note 3: Concurrently chairperson and CEO of GlobalWafers Co., Ltd., chairman and CEO of GlobiTech Incorporated in U.S., chairperson of GlobalWafers Japan Co., Ltd., vice chairperson of Kushan Sino Silicon Technology Company, chairperson of Topsil Semiconductor Materials A/S, Director of SunEdison Semiconductor Ltd., chairperson of Taisil Electronic Materials Corp, chairperson of MEMC Korea Company, chairperson of MEMC Japan Limited, director of SunEdison Semiconductor B.V., director of GWafers Inc., legal representative of Sino-American Material Corp., director of Crystalwise Technology Inc., legal representative of SAS Sunrise Inc., legal representative of SAS Sunrise Pte. Ltd., legal representative of Sunrise PV World Co., legal supervisor representative of Sunrise PV One Co., Ltd., legal representative of GWafers Singapore Pte. Ltd., supervisor of Cathay Sunrise Corporation

Note 4: Concurrently supervisor of SPV2, SPV 3, SPV 4

Note 5: Concurrently adjunct director of Accusolar Power Co., Ltd.

Note 5: Concurrently vice president of industrial development of GWC, supervisor of GlobalWafers Japan Co., Ltd., director of MEMC Japan Limited, Pan Asia Solar Ltd. (BVI), Si Fab Ltd (BVD), CridCo S.r.l. (Italy), Pan Asia Solar Inc. (USA)

### 3.2.3 Compensation Paid to CEO, President and Vice Presidents

#### (1) Remuneration Paid to Directors (Independent Directors included)

Date: December 31, 2015 Unit: NTD\$ 1000

Title	Name	Remuneration								Total Remuneration (A+B+C+D) as a % of 2015 Net Income		Compensation Earned as Employees of SAS or of SAS Consolidated Entities												Total Compensation (A+B+C+D+E+F+G) as a % of Net Income		Compensation Paid to Directors from Nonconsolidated Affiliates
		Base Compensation (A)		Severance Pay and Pensions(B)		Bonus to Directors (C)		Allowances (D)				Base Compensation, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Employee Profit Sharing (G)				Exercisable Employee Stock Options (H)		Restricted Stock (I)				
		From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	From SAS	From All Consolidat ed Entities	From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)	From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	
Director	Ming-Kuang Lu	3,560	3,560	0	0	0	1,400	535	815	0.26	0.36	8,970	11,808	108	108	0	0	4,140	0	1,800	1,800	0	0	0.82	1.37	NA
Director	Tan-Liang Yao																									
Director	Hsiu-Lan Hsu																									
Director	Kang-Hsin Liu																									
Director	Chin-Lung Chang																									
Director	Kang-Hsin Liu																									
Director	Chin-Lung Chang																									
Director	Kuei-Chang Hsu																									
Director	Wen-Hui Tsai																									
Director	Maoyang Corporaton Representative: Tie-Chih Sun																									
Director	Kai-Chiang Company Representative: Hau Fang																									
Director	Kun-Chan Investment Co. Representative: May-Yuan Chang																									
Director	Kun-Chan Investment Co. Representative: Yu-da Chang																									
Director	Pan Asia Solar, Ltd. Representative: Szpitalak Ted																									
Independent Director	Ting-Ko Chen																									
Independent Director	Shing-Hsien Lin																									
Independent Director	Meng-Hua Huang																									

Remark: 1. 2016 actual retirement payment: NTD \$0

2. Allowance or funding of pension obligation: NTD \$108,000

3. Kai-chiang Company representative: Hau Fang resigned on February 19, 2016.

4. Kun-chang Investment Company representative: Mei-yuan Chang resigned on August 3, 2016.

5. Pan Asia Solar Ltd. Legal representative resigned on May 27, 2016.

Remuneration Paid to Directors

Remuneration Paid to Directors	Directors			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	From SAS	From All Consolidated Entities (I)	From SAS	From All Consolidated Entities (J)
Under NT\$2,000,000	Ming-Kuang Lu Tan-Liang Yao Hsiu-Lan Hsu Kuei-Chang Hsu Wen-Huei Tsai Meng-Hua Huang Ting-Ko Chen Shing-Hsien Lin Kang-Hsin Liu Chin-Lung Chang Maoyang Corporaton Rep: Tie-Chih Sun Kai-Chiang Company Rep: Hau fang Kai-Chiang Company Rep: Chieh-yao Sun Kun-Chang Investment Co. Rep: May-Yuan Chang Kun-Chang Investment Co. Rep: Yu-da Chang Pan Asia Solar Ltd. Kun-Chang Investment Co. Rep: Yu-da Chang Pan Asia Solar Ltd. Rep: Szpitalak Ted	Kuei-Chang Hsu Wen-Huei Tsai Meng-Hua Huang Ting-Ko Chen Shing-Hsien Lin Kang-Hsin Liu Chin-Lung Chang Maoyang Corporaton Rep: Tie-Chih Sun Kai-Chiang Company Rep: Hau fang Kai-Chiang Company Rep: Chieh-yao Sun Kun-Chang Investment Co. Rep: May-Yuan Chang Kun-Chang Investment Co. Rep: Yu-da Chang Pan Asia Solar Ltd. Rep: Szpitalak Ted	Kuei-Chang Hsu Wen-Huei Tsai Meng-Hua Huang Ting-Ko Chen Shing-Hsien Lin Kang-Hsin Liu Chin-Lung Chang Maoyang Corporaton Rep: Tie-Chih Sun Kai-Chiang Company Rep: Hau fang Kai-Chiang Company Rep: Chieh-yao Sun Kun-Chang Investment Co. Rep: May-Yuan Chang Kun-Chang Investment Co. Rep: Yu-da Chang Pan Asia Solar Ltd. Rep: Szpitalak Ted	Kuei-Chang Hsu Wen-Huei Tsai Ming-Chang Chen Meng-Hua Huang Ting-Ko Chen Shing-Hsien Lin Kang-Hsing Liu Ching-Lung Chang Maoyang Corporaton Rep: Tie-Chih Sun Kai-Chiang Company Rep: Hau fang Kai-Chiang Company Rep: Chieh-yao Sun Kun-Chang Investment Co. Rep: May-Yuan Chang Kun-Chang Investment Co. Rep: Yu-da Chang Pan Asia Solar Ltd. Rep: Szpitalak Ted
NT\$2,000,000~NT\$5,000,000	0	0	Ming-Kung Lu Tan-Liang Yao	Ming-Kung Lu Tan-Liang Yao



			Hsiu-Lan Hsu	
NT\$5,000,000~NT\$10,000,000	0	0	Ming-Kung Lu Tan-Liang Yao Hsiu-Lan Hsu	Hsiu-Lan Hsu
NT\$10,000,000~NT\$15,000,000	0	0	0	0
NT\$15,000,000~NT\$30,000,000	0	0	0	0
NT\$30,000,000~NT\$50,000,000	0	0	0	0
NT\$50,000,000~NT\$100,000,000	0	0	0	0
Over NT\$100,000,000	0	0	0	0
Total	16	16	16	16

(2) Remuneration Paid to Supervisors: As the company has set up an audit committee from 2015, no remuneration was paid to supervisors.

### (3) Remuneration Paid to CEO, President and Vice Presidents

Date: December 31, 2016 Unit: NT\$ '000

Title	Name	Base Compensation (A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Employee Profit Sharing (D)				Total Compensation (A+B+C+D) as a % of 2012 net Income		Exercisable Employee Stock Options		Exercisable Limited Employee New Shares		Compensation Paid to Directors from Nonconsolidated Affiliates
		From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	Cash	Stock (Fair Market Value)	From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	From SAS	From All Consolidated Entities	
CEO	Ming-Kung Lu	18,449	20,867	378	378	2,711	3,116	19,740	0	27,127	0	7.72	9.63	2,250	2,250	0	0	None
Vice CEO	Tang-Liang Yao																	
President	Hsiu-Lan Hsu																	
Branch President	Keui-Chang Hsu																	
Vice President	Yu-Tse Lin																	
Vice Manager	Hau-Chun Shih																	
Vice Manager	Ching-Wen Chou																	
R&D Chief	Szptalak Ted																	

Remark: 1. 2016 actual retirement payment: NTD \$0

2. Allowance or funding of pension obligation: NTD \$378,000

3. Vice president Ching-wen Chou was transferred to GlobalWafers Co. Ltd. On July 1, 2016.

4. Budi Tjahjono was appointed as the R&D chief from August 1, 2016.

Remuneration Paid to CEO, President and Vice Presidents

Remuneration Paid to Supervisors	Names	
	From SAS	From All Consolidated Entities (E)
Under NT\$2,000,000	Chin-wen Chou, Szpitalak Ted	Chin-wen Chou, Szpitalak Ted
NT\$2,000,000~NT\$5,000,000	Ming-Kung Lu Tang-Liang Yao Hsiu-Lan Hsu Kuei-Chang Hsu Yu-Tse Lin Hau-Chun Shih Budi Tjahjono	Ming-Kung Lu Tang-Liang Yao Kuei-Chang Hsu Yu-Tse Lin Hau-Chun Shih Budi Tjahjono
NT\$5,000,000~NT\$10,000,000	0	0
NT\$10,000,000~NT\$15,000,000	0	0
NT\$15,000,000~NT\$30,000,000	0	0
NT\$30,000,000~NT\$50,000,000	0	0
NT\$50,000,000~NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	9	9

(4) Employee Profit Sharing Granted to Management Team

Date: December 31, 2016 Unit: NT\$ '000

	Title	Name	Stock (Fair Market Value)	Cash	Total Employee Profit Sharing	Total Employee Profit Sharing Paid to Management Team as a % of 2015 Net Income
Management Team	Chairman	Ming-Kung Lu	0	0	0	0%
	Vice Chairman	Tang-Liang Yao				
	President	Hsiu-Lan Hsu				
	Branch President	Kuei-Chang Hsu				
	Sales & Marketing Vice President	Yu-Tse Lin				
	Procurement Vice President	Ching-Wen Chou				
	Manufacturing Vice president	Hau-Chun Shih				
	R&D Chief	Szpitalak Ted				
	R&D Chief	Budij Tjahjono				
	Accounting Manager	Mei-Ying Chiu				

Note: 1. Vice president Chin-wen Chou was transferred to GlobalWafers Co. Ltd. on July 1, 2016.

2. Budi Tjahjono was appointed as the R&D chief on August 1, 2016.

### 3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

#### 1. Total Remuneration as a % of 2015 Net Income

Title	2016		2015	
	Form SAS	From All Consolidated Entities	Form SAS	From All Consolidated Entities
Directors	0.26%	0.36%	2.54%	3.31%
Supervisors	0%	0%	0%	0%
President and Vice President	1.33%	1.79%	7.72%	9.63%

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

2.1. Remuneration to the directors and supervisors includes earning distribution and execution fees, which are specified in the Articles of Incorporation, and approved by shareholder meeting. Remuneration to presidents and vice presidents includes salary, bonus and cars along with earning

distribution. Board of directors authorizes chairman to pay in accordance with related regulations of SAS.

## 2.2 Procedures of remuneration

Remuneration to the directors and supervisors are performed in accordance with Article 29 of Articles of Incorporation:

If the Company has profit after the yearly accounting closed, 3~15% of the profit shall be appropriated for the employees' remuneration distributed with stocks or cash decided by the board of directors. Employees entitled to bonus may include subsidiaries' employees that meet certain criteria. The Company may appropriate 3% at the most of the above profit quota decided by the board of directors for directors' remuneration. Distribution for employees and directors shall be reported to the shareholders' meeting. An offset, however, to the accumulated loss shall be reserved before making distribution to employees and directors. In order to keep sustainable development for the Company and continuous growth on earnings per share, the cash dividends for shareholders shall be no less than 50% of the dividends for shareholders.

Also, execution fee is transportation expenses of each board of directors meeting, remuneration to presidents and vice president are in accordance with operation performance set in forth in Year Plan, its distribution is proceeded according to Procedure of Performance Evaluation and Procedure of Employee Stock Option.

SAS established Remuneration Committee at the end of 2011, which periodically examines performance of directors, supervisors and managers, as well as remuneration policy, system, standard and structure. Report if above-mentioned will be reported in the Board of Directors.

## 2.3 Connection between operation performance and future risk

Performance evaluation and remuneration of directors, supervisors and managers are measured based on market average, monetary amount, distribution method and future risk of the company. It has a positive correlation with the performance and responsibility of the company's business.

## 3.3 Implementation of Corporate Governance

### 3.3.1 Attendance of Directors for Board Meetings

A total of 9 meetings of the board of directors were held in the previous period. Director attendance was as follows: (2015/1/1~2015/12/31)

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Chairman	Ming-Kung Lu	10	0	100%	
Vice Chairman	Tang-Liang Yao	10	0	100%	
Director	Hsiu-Lan Hsu	10	0	100%	
Director	Kang-Hsin Liu	5	5	50%	
Director	Chin-Lung Chang	5	5	50%	
Director	Wen-Huei Tsai	9	1	90%	
Director	Kuei-Chang Hsu	9	1	90%	
Director	Mao-Yang Co.,Ltd Rep: Tieh-Chih Sun	8	2	80%	
Director	Kai-Chiang Company	7	2	78%	2016.02.19 take office

	Rep: Chieh-Yao Sun				
Director	Kai-Chiang Company Rep: Hau Fang	0	1	0%	2016.02.19 resign
Director	Kun-Chan Investment Co. Yu-Da Chang	4	1	80%	2016.08.03 take office
Director	Kun-Chan Investment Co. May-Yuan Chang	4	1	80%	2016.08.03 resign
Director	Pan Asia Solar Ltd. Rep: Szpitalak Ted	1	2	33%	2016.05.03 resign
Independent Director	Ting-Ko Chen	10	0	100%	
Independent Director	Shing-Hsien Lin	7	3	70%	
Independent Director	Meng-Hua Huang	9	1	90%	

Other mentionable items:

1. If there are the circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified: No abovementioned matters so far.
2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified: No abovementioned matters so far.
3. Measures taken to strengthen the functionality of the Board (such as Audit Committee, information transparency elevation):

To Strengthen BOD Functionality	Evaluation
Establishment of independent director	Strength objectiveness of independent directors so as to supervise BOD performance
Establishment of remuneration committee	Assist BOD to execute and evaluate overall remuneration and benefit system; periodically examine adequateness of reward for directors, supervisors and managers
Establishment of audit committee	To exercise the securities laws, company laws and other related regulations.
Information transparency	Assigned employee to disclose information and update company website
Strengthen communication with interested parties	SAS has spokesman and deputy spokesman as communication channel for interested parties. We have designated period before AGM for shareholder to propose agendas, which will be reviewed by BOD according to related regulations.
Elevate BOD operation efficiency and decision	SAS has legislated "Rules and Procedures of Board of Directors Meeting" to strength BOD function and improve development of BOD decision.
Advance expertise	SAS' directors and supervisors have to fulfill authorities' training hour requirement, SAS also encourages BOD members to participate in professional courses. Also, SAS advocates regulations in each meeting so as to satisfy government inquiries.

### 3.3.2 Attendance of Audit Committee

A total of 9 meetings of the audit committee were held in the previous period. Independent director attendance was as follows: (2016/1/1~2016/12/31)

Title	Name	Attendance in Person	Attendance In Proxy	Attendance Rate in Person (%)	Notes
Independent Director	Ting-Kuo Chen	9	0	100%	
Independent Director	Shing-Hsien Lin	8	1	89%	
Independent Director	Mong-Hua Huang	8	1	89%	

Other mentionable items:

1. If there are the circumstances referred to in Article 14-5 of the Securities and Exchange Act and resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified: None
2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)
  - (1)The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports in the quarterly meetings of the Audit Committee.
  - (2)The Company's CPAs have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee.

### 3.3.3 Attendance of Supervisors for Board Meetings

The company has been set up the audit committee, it is not applicable.

### 3.3.4 Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Item			Implementation Status	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” The information has been disclosed on M.O.P.S. ( <a href="http://mops.twse.com.tw/">http://mops.twse.com.tw/</a> )	No significant deviation
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(1) The Company has established an internal operating procedure, and has designated appropriate departments, such as Investor Relations, Public Relations, Legal Department, to handle shareholders’ suggestions, doubts, disputes and litigation.	No significant deviation
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2) The Company monitors shareholding of directors, supervisors, managers and major shareholders with over 10% company shares; submit reports to MOPS monthly.	No significant deviation
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3) Internal control system includes enterprise risk monitoring and operation. SAS also legislates “Supervision and Management of Subsidiary” to execute risk control. SAS also legislates “Procedure of Investment Management” to control import/export, acquisition/deposal of assets, endorsement/guarantee, fund lending of affiliated companies.	No significant deviation
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		(4) To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information. The Company has also	No significant deviation



			strongly advocated these rules in order to prevent any violations.	
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	V		1. The responsibilities of the board of directors have been clearly cataloged in Article 18 of the Corporate Governance Best-Practice Principles of the Company. Currently there are 14 directors to cover the guideline.	No significant deviation
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		2. The Company has established the remuneration committee and audit committee. Other committee considered to be established by the management and shall report the results to the board of directors.	No significant deviation
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?	V		3. The company has formulated rules and procedures for evaluating the Board's performance and conducts it annually.	No significant deviation
(4) Does the company regularly evaluate the independence of CPAs?	V		4. The Company evaluates the independence of CPAs annually, ensuring that that they are not stakeholders such as a Board member, supervisor, shareholder or person paid by the Company, and will report to the board of directors.	No significant deviation
4. Does the company establish operation unit or staff for corporate governance?	V		1. The chairman of the Company has appointed the chief of president's office as the BOD secretary. The president's office, including legal affairs section, is responsible for providing materials for directors, convention of board of directors, committees, shareholders' meeting as well as relative documentation. 2. The company registration and change of registration are maintained by the accounting department. All relevant documents shall be reviewed by the chief accountant.	No significant deviation
5. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	V		1. We have spokesman/deputy spokesman to keep smooth communication with interested parties. 2. The Company provides detailed contact information, including telephone numbers and email addresses in the "Stakeholder Area" section of the corporate website.	No significant deviation
6. Does the company appoint a professional shareholder service agency to deal with	V		The Company designates Yuanta Securities to deal with shareholder	No significant deviation

shareholder affairs?			affairs.				
7. Information Disclosure (1) Establishment of a corporate website to disclose information regarding the Company’s financials, business and corporate governance status (2) Other information disclosure channels (e.g., maintaining an English website, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)	V		1. The Company has set up a Chinese/English website to disclose information regarding the Company’s financials, business and corporate governance status.				No significant deviation
	V		2. The Company has assigned an appropriate person to handle information collection and disclosure. The Company has established a spokesman system. Investor conference information is disclosed on the corporate website (www.saswafer.com).				No significant deviation
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		(1) Maintenance on Employee rights: The Company always treats employees with honest and trust and protect employees rights according to Labor Standards Act (2)Staff care: the Company constructs solid relationship with employees via welfare policy and internal training, such as Employee Welfare Committee, Company tour and Free Health examination. (3)Stakeholders: The Company fully discloses via MOPS and official website to familiarize investors with corporal operation, and communicates with investors through shareholder meeting and spokesman. (4)Supplier relationship: The Company has maintained stable relationship with suppliers, random audits to ensure suppliers’ quality. (5)The rights of interest-related party: The company has established official website ( <a href="http://www.saswafer.com">http://www.saswafer.com</a> ) to disclose financial, sales, corporate governance information and stock agency. (6)Continuing education/training of Directors and Supervisors:				
			Title	Name	Date	Host by	Course
							Duration hours
							Matching Directions for the Implementation of Continuing Education for Directors and

									Supervisors of TWSE Listed and GTSM Listed Companies
			Chairman	Ming-Kung Lu	2016/05/05	Taiwan Corporate Governance Association	CSR and continuous management	3	Yes
					2016/05/06	Taiwan Corporate Governance Association	Corporate management from the top 3 codes of practice	3	Yes
					2017/05/11	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
			Vice Chairman	Tang-Liang Yao	2016/05/05	Taiwan Corporate Governance Association	CSR and continuous management	3	Yes
					2016/06/16	TIFRS	Lecture course of the 2nd evaluation on corporate governance award	3	Yes
					2016/11/08	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
					2017/05/11	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
			Director	Hsiu-Lan Hsu	2016/05/05	Taiwan Corporate Governance Association	CSR and continuous management	3	Yes
					2016/11/08	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
					2017/05/11	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
			Director	Kang-Hsin Liu	2016/05/05	Taiwan Corporate Governance Association	Corporate management from the top 3 codes of practice	3	Yes
					2016/11/04	Taiwan Corporate	Business secret	3	Yes

							Governance Association	protection and fraud detection		
				Director	Chin-Lung Chang	2016/05/06	Taiwan Corporate Governance Association	Corporate management from the top 3 codes of practice	3	Yes
						2016/11/04	Taiwan Corporate Governance Association	Business secret protection and fraud detection	3	Yes
				Director	Kuei-Chang Hsu	2016/05/05	Taiwan Corporate Governance Association	CSR and continuous management	3	Yes
						2016/11/08	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
				Director	Wen-Huei Tsai	2016/05/05	Taiwan securities and futures market development foundation	CSR and continuous management	3	Yes
						2016/11/08	Taiwan securities and futures market development foundation	Obligation and responsibilities of directors and supervisors	3	Yes
						2017/05/11	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
				Director	Mao-Yang Co.,Ltd Rep: Tieh-Chih Sun	2015/11/08	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
						2015/12/30	Taiwan Corporate Governance Association	Practice for the commission of directors and supervisors	3	Yes
						2017/05/11	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
				Director	Kai-Chiang Company Rep: Chih-Yao Sun	2016/05/05	Taiwan Corporate Governance Association	CSR and continuous management	3	Yes
						2016/09/02	Taiwan Corporate Governance Association	Effectiveness of the operating and	3	Yes

								resolution for the board of directors		
						2016/11/03	TIFRS	Advanced seminar for directors and supervisors	3	Yes
						2016/11/08	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
						2017/05/11	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
				Director	Kun Chang Investment Co. Representative: Yu-Da Chang	2016/11/04	Taiwan Corporate Governance Association	Business secret protection and fraud detection	3	Yes
						2016/11/08	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
						2017/05/11	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
				Director	Ting-Kuo Chen	2016/05/05	Taiwan Corporate Governance Association	CSR and continuous management	3	Yes
						2016/11/08	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
						2017/05/11	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
				Director	Shing-Hsien Lin	2016/05/05	Taiwan Corporate Governance Association	CSR and continuous management	3	Yes
						2016/11/08	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
						2017/05/11	Taiwan Corporate	Obligation and	3	Yes

						Governance Association	responsibilities of directors and supervisors		
			Director	Meng-Hua Huang	2016/06/02	TIFRS	Analysis and practice on treachery of directors and supervisors	3	Yes
					2016/11/08	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
					2017/05/11	Taiwan Corporate Governance Association	Obligation and responsibilities of directors and supervisors	3	Yes
Specified in MOPS/ <a href="http://mops.twse.com.tw">http://mops.twse.com.tw</a> (7) Status of risk management policies and risk evaluation: The company has legislated internal regulations to evaluate and manage risks. (8) Customer policy execution: The Company has maintained stable relationship with customers to create profit. (9) The Company has purchased responsibility insurance for Director, Independent Director and Important Managers to ensure protection of stockholders' rights and exposed at Market Observation Post System ( <a href="http://newmops.tse.com.tw">http://newmops.tse.com.tw</a> ).									
9. Specify the improvement of corporate governance valuation results issued by the corporate governance center of TWSE and list the follow ups for the enhancement of items to be improved. The Company was continuously evaluated as the top 5% of companies on the counter at the 2014, 2015 and 2016 corporate governance evaluation: (1) Compiling non-financial materials such as CSR report: the Company has established CSR development committee and planed to compile the CSR report to be issued by the end of June 2017. (2) Reveal the total yearly emission of carbon dioxide or other greenhouse gas in past two years: Improved and revealed in the annual general meeting report.									

### 3.3.5. Operation of Remuneration Committee

#### 1. Member Information

Title	Condition Name	If independent directors equip with over 5 years of working experience and below qualifications			Independence (Note 1)								Concurrently serving in remuneration committee of other listed companies (Counting in company)	Remark (Note 2)
		Owning qualification of national/private college instructor or above of commence, law, finance or corporal operation-related professions	Certified technicians or judge, prosecutor, lawyer, CPA or corporal operation-related national certifications	Experienced in commence, law, finance, accounting or other corporal operation-related business	1	2	3	4	5	6	7	8		
Independent Director	Ting-Ko Chen	✓			✓	✓	✓	✓	✓	✓	✓	✓	1	NA
Independent Director	Shing-Hsien Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	NA	NA
Independent Director	Meng-Hua Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	NA	NA

Note 1: Check in blocks if matching below description in tenure or two years before the tenure.

(1) Not an employee of the company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the company or ranks in the top 5 in shareholding.

(6) Not a director, supervisor, managerial officer, or shareholder holding 5 percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.

(7) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, or accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof.

(8) Not matching description in Article 30 of Company Act

Note 2: If a remuneration committee member is director, please specify if matching item 5, Article 6 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is listed on the Stock Exchange or Traded Over the Counter"

## 2. Attendance of Remuneration Committee

(1) The Company set up remuneration committee of 3 members.

(2) Tenure: From June 26, 2014 to June 25, 2017.

Title	Name	Attendance in Person(B)	Attendance In Proxy	Attendance Rate in Person (%) (B/A)	Remark
Committee member	Ting-Ko Chen	2	0	100%	
Committee member	Shing-Heien Lin	2	0	100%	
Committee member	Meng-Hua Huang	2	0	100%	

Other mentionable items:

(1) If remuneration committee's suggestions are objected or modified by BOD, BOD date, term, contents of motions, resolution and countermeasure of remuneration committee's statement (if remuneration resolved by BOD is better than that of remuneration committee, discrepancy and reason should be specified): NA

(2) If any member is against or reserves his/her opinion with record or paper statement regarding committee's resolution, remuneration committee's date, term, contents of motions, resolution and countermeasure of member's statement should be specified: NA



### 3.3.13 Internal Control System Execution Status

#### 1. Statement of Internal Control System

### **Sino-American Silicon Products Inc. Statement of Internal Control System**

Date: March 23, 2017

Based on the findings of a self-assessment, Sino-American Silicon Products Inc. (SAS) states the following with regard to its internal control system in 2015:

1. SAS is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. SAS has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of SAS contains self-monitoring mechanisms, and SAS takes corrective actions whenever a deficiency is identified.

3. SAS evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.

4. SAS has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

5. Based on the findings of the evaluation mentioned in the preceding paragraph, SAS believes that, during the year 2015<sup>\*2</sup>, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.

6. This Statement will be an integral part of SAS's Annual Report for the year 2013 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

7. This Statement has been passed by the Board of Directors in their meeting held on March 23, 2017, with zero of the 13 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Sino-American Silicon Products Inc.

Chairman Ming-Kung Lu

President Hsiu-Lan Hsu

Note 1: When material weakness occurs the design/ execution of public company internal control system, the company shall append explanation after item 4, in which enumerates and specifies the weakness, and the countermeasure/amendment taken before date of balance sheet in the Statement of Internal Control System

Note 2: The date here refers to the ending date of fiscal year

2. Disclose the review report of independent auditors if they are retained for reviewing the internal control system: Not applicable

**3.3.14 Punishment on the Company and its Staff in Violation of Law, or Punishment on its Employees in Violation of Internal Control System and Other Internal Regulations, Major Shortcomings and Status of Correction: None.**

**3.3.15 As of the date of this Annual Report, the following resolutions are adopted regarding annual shareholders' meeting and Board of Directors Meeting.**

**1. Annual Shareholders' Meeting**

Date	Meeting	Resolutions
2016/06/28	Annual Shareholders' Meeting	1. Approve the amendments to Articles of Incorporation 2. Approve capital reserve cash distribution 3. Approve FY2015 business report and financial report 4. Approve the surplus distribution of FY2015

**2. Board of Directors Meeting**

Date	Meeting	Resolutions
2016/02/16	Board of Directors Meeting	1. Evaluation guideline to the Board of Directors 2. Evaluation guideline to the Audit Committee. 3. Evaluation guideline to the Remuneration Committee 4. The evaluation and appointment of the CPA's competence and independence 5. Setup of the subsidiary SPW 6. The lending of capital to SPW
2016/03/22	Board of Directors Meeting	1. The execution report on the planning on self-compiling of financial reports 2. Report on 2015 ethical corporate management 3. Remuneration distribution of directors and employees 4. 2015 business report and financial report 5. The 2015 profit distribution 6. Discuss the cash dividend distribution from the capital reserve 7. 2015 Statements of Internal Control

		<p>System</p> <p>8.CEO appointment of its subsidiary aleo solar GmbH, subsidiary in Germany</p> <p>9.Self-evaluation on corporate governance</p> <p>10.Set up “Procedures for ethical management and guidelines conduct”</p> <p>11.Set up “Procedures for report on illegal, immoral, non-integrity cases”</p> <p>12. 2016 shareholder’s meeting</p> <p>13. Remuneration distribution of 2015 directors/managerial members</p> <p>14. Propose to apply 17 land numbers for purchasing Li-zher industry park</p>
2016/05/05	Board of Directors Meeting	<p>1.2016 Q1 consolidated financial statements</p> <p>2.The execution report on the planning on self-compiling of financial reports</p> <p>3.Propose to provide new motor room, security room etc. of fab 3 in Yi-lan branch to Yang-ming company for bank loan mortgage guarantee</p> <p>4.To act as the joint guarantor for its subsidiary SPW’s bank loan</p>
2016/06/02	Board of Directors Meeting	<p>1.Response to derivatives transaction for operational needs</p> <p>2.GWC, the subsidiary, proposed to offer a price for acquiring Sunna</p>
2016/07/11	Board of Directors Meeting	<p>1.To act as the grantor for the subsidiary aleo solar GmbH for the loan from the Commerzbank</p>
2016/08/09	Board of Directors Meeting	<p>1. Audit report</p> <p>2. 2016 Q2 consolidated financial statements</p> <p>3. The execution report on the planning on self-compiling of financial reports</p> <p>4. Report on the establishment of grandson company SPV1</p> <p>5. Report on the dismissal of the managerial member</p> <p>6. Propose to provide its subsidiary GWC a letter of intent for a joint loan with Sunna.</p> <p>7. To act as a guarantee for its grandson company Sulu Electric Power and light Phils. Inc. for the loan from Fubon Financial Bank Singapore</p>

		branch 8. Capital lending to its grandson company SPV1. 9. Propose to cancel new motor room, security room etc. of fab 3 in Yi-lan branch to Yang-ming company for bank loan mortgage guarantee 10.Appointment of the company's R&D chief
2016/09/20	Board of Directors Meeting	1. Report on the establishment of the corporate sustainable development committee 2. Proposal of Yu-tza Lin, vice president of marketing dept. to hold a concurrent post as the president of Solartech Energy Corp. 3. Propose to set up a joint company to develop solar power plant domestically 4. Propose to provide letter of support 5. Propose to subscribe the unsecured bond of private placement of Crystalwise Technology
2016/10/04	Board of Directors Meeting	1. Propose to transfer the Company's shareholding of GWC via huge deal 2. Cancel the proposal to act a guarantee for its grandson company Sulu Electric Power and light Phils. Inc. for the loan from Fubon Financial Bank Singapore branch
2016/11/08	Board of Directors Meeting	1. 2016 Q3 consolidated financial statements 2. Capital increase of Powertec Energy Corp. 3. Renewal of liability insurance of directors and managerial members 4. General credit limit and foreign exchange quota provided by a banking institution 5. A letter of support to Taiwan Cooperative Bank for supporting future financial needs of Sino-American Material Corp. 6. 2017 internal audit plan 7. Amendment to "Procedures for Performance Appraisal" of the Company 8. Propose to increase the investment to its subsidiary SPVW for NT\$295 million

		9. Propose to set up a new joint company to improve the management and strategic investment integration of the group
2016/11/24	Board of Directors Meeting	1. Approve the amendment to the “Procedures for Endorsement and Guarantee” of GWC
2016/01/19	Board of Directors Meeting	1. KPI evaluation report of audit committee 2. Staff promotion report 3. Procurement contract report 4. Provide secured loans to subsidiary SAS Sunrise Inc. and grandson companu Sulu Electric power and light Phils. Inc., Sas Sunrise Pte. Ltd. (SG) 5. General credit limit and foreign exchange quota provided by banking institutions 6. The appointment of 2016 CPA at public expense 7. 2017 business plan 8. Amendment to “Procedures of application for suspending and resuming transaction” 9. Discussion on providing a letter of support 10. Chairman appointment of the company reinvested by its subsidiary SPVW 11. Amendment to “Procedures for lending funds to other parties” 12. Amendment to “Procedures for endorsement and guarantee” 13. Amendment to “Procedures for financial derivatives transactions” 14. Cancel the proposal of setting up a joint company with other investors
2017/03/23	Board of Directors Meeting	1. Audit report 2. KPI evaluation report of board meetings 3. KPI evaluation report of audit committee 4. KPI evaluation report of Remuneration committee 5. Evaluation report on CPA’s competence and independence 6. 2016 Ethical corporate management report 7. SPVW, SAS’ subsidiary, sold 100% shareholdings of its subsidiary SPV1

		8. Supplement to 2016 business plan 9. Adjustment of CPA appointment 10. Set up Cathay Sunrise Corporation with other investors to develop domestic solar power plant 11. Procurement contract report 12. General credit limit and foreign exchange quota provided by banking institution 13. 2016 Business overview and financial report 14. 2016 loss appropriation 15. 2016 distribution of director's remuneration 16. Cash dividend from capital reserve distribution 17. 2016 Statements of internal control system 18. Discussion on the right and responsibility among the subsidiary SPVW and its subsidiaries 19. 2106 Self-evaluation on corporate governance report 20. Amendment to Articles of Incorporation 21. Amendment to "Procedures for acquisition or disposal of assets" 22. Issuance of restricted stock awards 23. Propose to issue public offering or private placement for the capital needs of the Company 24. The 13th board of directors election 25. Propose to remove the prohibition on non-compete agreement for newly appointed directors 26. 2017 AGM agenda and related matters 27. Nomination of directors (including independent directors) 28. Discussion on capital lending to its grandson company Sulu Electric Power and Light Inc.
2017/05/15	Board of Directors Meeting	1. Audit report 2. 2017 Q1 consolidated financial statements 3. Report on the improving plan of providing endorsement and guarantee for its reinvestment Sulu

		Electric Power and Light Inc. 4. Report on derivatives operating 5. Review on new director candidates nominated by shareholders 6. Act as the joint guarantor for its subsidiary SPVW
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3. Review on execution of 2016 Annual Shareholders' Meeting resolutions (2016/06/28)

1. Approve the amendment to the "Articles of Incorporates"	Apply the newly amended "Articles of Incorporates" after the shareholder's meeting
2. Approve cash dividend distribution from the capital reserve of the Company	The Company plans to distribute cash dividend through capital reserve of NT\$402,133,306. The distribution ratio is determined by the holding ratio of shareholders in the register of shareholders on the record date of the distribution. Each share will be distributed NT\$0.7 cash dividend. The distribution has been completed on August 10th, 2016.
3. Approve 2015 business report & financial	According to the resolution of the AGM, all materials have been uploaded to MOPS.
4. Approve 2015 profit distribution	As of the beginning of 2015, the Company's retained earnings is NT\$0. Setting off the adjustment of actuarial losses for FY 2014 of NT\$15,324,216 and adding net profit after tax amounting to NT\$534,835,987 plus the legal reserve appropriation of NT\$51,951,177, the unappropriated retained earnings is NT\$467,560,594. The dividend has been distributed on August 10th, 2016.

**3.3.16 As Of The Date Of This Annual Report, A Director Or A Supervisor Has Expressed Disagreement To A Resolution Passed By The Board Of Directors And Kept Document Or A Written Statement: None.**

**3.3.17 As Of The Date Of This Annual Report, Resignation Or Dismissal Of Personnel Responsible For Financial Report (Including Chairman, President, Accounting And Audit Managers): None**

### 3.4 Information Regarding Audit Fees

#### 3.4.1 Audit Fees

Accounting Firm	Name of CPA		Audit Period	Note
KPMG	Tseng, Mei-Yu	Yong-Hua Huang	2016.01-2016.12	

Unit: NT\$ 1000

Remuneration range		Audit Fee	Non-audit Fee	Total
1	Under NT\$2,000 thousand	-	-	-
2	NT\$2,000~NT\$4,000 thousand	-	-	-
3	NT\$4,000~NT\$6,000 thousand	5,180	432	5,612
4	NT\$6,000~NT\$8,000 thousand	-	-	-
5	NT\$8,000~NT\$10,000 thousand	-	-	-
6	Over NT\$10,000 thousand	-	-	-

Unit: NT\$ 1000

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Audit Period	Note
			System Design	Company Registration	Human Resource	Others (Note2)	Subtotal		
KPMG	Tseng, Mei-Yu	5,180	-	-	-	432	5.612	2016.01.01-2016.12.31	
	Yong-Hua Huang								

NOTE 1: When the Company changes its auditors and the accounting firm, shall separately specify audit period and reason in the Note column, and disclose information of audit and non-audit fees.

NOTE 2: Please record non-audit fees separately according to service item, if non-audit fees indicated under "Other" constitute 25 percent of total non-audit fees, the nature of those service items shall be indicated in the Note column.

#### 3.4.2 Non-Audit Fee Paid to Auditors and the Accounting Firm Accounted for More Than One-Fourth of Total Audit Fee Shall Disclose the Amount and The Service Item: None.

#### 3.4.3 When the Company Changes Its Accounting Firm and the Audit Fees Paid for the Fiscal Year in Which Such Change Took Place Are Lower Than Those for the Previous Year, The Reduction in the Amount of Audit Fees, Reduction Percentage, and Reason(S) Therefore Shall Be Disclosed: None.

#### 3.4.4 When the Audit Fees Paid for the Current Year Are Lower Than Those for the Previous Fiscal Year by 15 Percent Or More, the Reduction in the Amount of Audit Fees, Reduction Percentage, and Reason(S) Therefore Shall Be Disclosed: None.

### 3.5 Information on Replacement of Independent Auditors in the Last Two Years and Thereafter: None.

### 3.6 The Chairman, President, Finance or Accounting Manager Who Has Worked in the Accounting Firm or Affiliates in the Most Recent Year, the Name, Position and the Service Period Shall Be Disclosed: None.

### 3.7 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders in Last Year and as of the Date of this Annual Report

#### 3.7.1 Net Change in Shareholding and Net Change in Shares Pledged by Directors, Management and Shareholders with 10% Shareholdings or More



Title	Name	2016		As of April 30, 2017		Note
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	
Chairman	Ming-Kuang Lu	650,000	0	0	0	CEO of the Company
Vice Chairman	Tang-Liang Yao	62,000	0	0	0	Vice CEO of the Company
Director	Hsiu-Lan Hsu	0	0	0	0	President of the Company
Director	Kang-Hsin Liu	0	0	0	0	
Director	Chin-Lung Chang	0	0	0	0	
Director	Kuei-Chang Hsu	0	0	0	0	
Director	Wen-Huei Tsai	(57,000)	0	0	0	
Director	Mao-Yang Co.,Ltd Representative: Tieh-Chih Sun	0	0	0	0	
		0	0	0	0	
Director	Pan Asia Solar Ltd., Rep: Szpitalak Ted	0	0	0	0	2016.05.27 Resign
		0	0	0	0	
Director	Kai-Chiang Company, Rep: Hau Fang	0	0	1,080,000	0	2016.02.19 Resign
		0	0	0	0	
Director	Kai-Chiang Company, Rep: Chi-yao, Sun	0	0	1,080,000	0	2016.02.19 New
		0	0	0	0	
Director	Kun Chang Investment Co. Rep: May-Yuan Chang	0	0	0	0	2016.02.19 Resign
		0	0	0	0	
Director	Kun Chang Investment Co. Rep: Yu-Da Chang	0	0	0	0	2016.08.03 new
		0	0	0	0	
Independent Director	Ting-Kuo Chan	0	0	0	0	
Independent Director	Shing-Hsien Lin	0	0	0	0	
Independent Director	Mon-Hua Huang	0	0	0	0	
Manager	Kuei-Chang Hsu	0	0	0	0	
Manager	CW Lee	0	0	0	0	2017.03.21 New
Manager	Szpitalak Ted	0	0	0	0	2016.07.29 Resign
Manager	Budi Tjahjono	0	0			2016.08.09 New
Manager	Hau-Chun Shih	(17,000)	0	0	0	
Manager	Yu-Tze Lin	0	0	0	0	
Manager	Ching-Wen Chou	0	0	0	0	2016.07.01 Transferred
Manager	Tai -Lung Ma	0	0	0	0	2016.01.01 New
Manager	Chong-wen Wu	0	0	0	0	2016.04.01 New
Account Manager	Mei -Ying Chiu	0	0	0	0	

Note 1: Shareholders with 10% shareholdings or more shall be specified respectively as major shareholder.

Note 2: Shares trading or shares pledge with related parties shall fill in below information.

**3.7.2 Shares Trading with Related Parties: None**

**3.7.3 Shares Pledge with Related Parties: None**

### 3.8 Relationship Information of the Top 10 Shareholders among Who are Related Parties, as Defined in the Statement of Financial Accounting Standard NO.6.

Name	Shareholding		Shareholding under spouse or underage children		Shareholding under other		Top 10 shareholders among who are related parties		Note
	Share	%	Share	%	Share	%	Name	relation	
Solartech-energy Corp.	21,860,379	3.77	0	0	0	0	NA	NA	
Solar Energy Corp. Representative: Kang-Hsin Liu	0	0	0	0	0	0	NA	NA	
New Employee Pension Fund	15,421,500	2.66	0	0	0	0	NA	NA	
Mau-wang Investment Company	13,881,000	2.39	0	0	0	0	NA	NA	
Mau-Wang Investment Company Representative: Su-lan Chiang	0	0	0	0	0	0	NA	NA	
Ming-Kuang Lu	11,600,000	2.00	2,001,685	0.35%	0	0	NA	NA	
Feng-Ming Chang	11,026,000	1.90	0	0	0	0	NA	NA	
Hong-mau Investment Company	10,425,000	1.80	0	0	0	0	NA	NA	
Hong-mau Investment Company Representative: Su-lan Chiang	0	0	0	0	0	0	NA	NA	
HSBC (Taiwan) Commercial Bank entrusted with custody of Morgan Stanley International Limited	10,289,590	1.77	0	0	0	0	NA	NA	
Public Service Pension Fund Committee	8,584,956	1.48	0	0	0	0	NA	NA	
Public Service Pension Fund Committee Representative: Je-Shen Chang	0	0	0	0	0	0	NA	NA	
UBS Limited in the custody of HSBC Commercial Bank - Loan trading platform	8,473,329	1.46	0	0	0	0	NA	NA	
Pompeii Limited Partner Limited Partnership in the custody of HSBC Commercial Bank	8,262,000	1.42	0	0	0	0	NA	NA	

### 3.9 Total Numbers and Equity of Shares Held In any Single Enterprise by the Company, Directors, Supervisors, Managers and Any Companies Controlled Either Directly or Indirectly by the Company

2016/12/31 Unit: 1,000 shares; %

Reinvestment (No.1)	Investment by SAS		Investments directly or indirectly controlled by directors, supervisors and managers		Total investment	
	Share	%	Share	%	Share	%
Sino Silicon Technology Inc.	48,526	100	---	---	48,526	100
GlobalWafers Co., Ltd.	222,293	60.20	----	----	222,293	60.20
Aleo Solar GmbH	(Note 2)	100	---	---	(Note 2)	100
Aleo Solar Distribuzione Italia S.r.l.	(Note 2)	---	(Note 2)	100	(Note 2)	100
Aleo Sunrise GmbH	---	---	(Note 2)	100	(Note 2)	100
Sino-American Materials Corp.	9,000	90	---	---	9,000	90
SAS Sunrise Inc.	24,500	100	---	---	24,500	100
SAS Sunrise Pte. Ltd.	---	0	30,934	100	30,934	100
Sulu Electric Power and Light Inc.	---	0	892,500	85	892,000	85
AMLED International Systems Inc.	---	0	---	---	---	---
Sunrise PV World Co.	30,000	100	---	---	30,000	100
Sunrise PV One Co. Ltd.	---	---	200	100	200	100
Cathay Sunrise Corporation	100	100	---	---	100	100
GlobalWafers Inc.	90,000	100%	—	—	90,000	100%
GlobalSemiconductor Inc.	25,000	100%	—	—	25,000	100%
GWafers Inc.	(Note 2)	100%	—	—	(Note 2)	100%
GWafers Singapore Pte. Ltd.	550,000	100%	—	—	550,000	100%
Topsil GlobalWafers A/S	1,000	100%	—	—	1,000	100%
GlobiTech Incorporated.	1	100%	—	—	1	100%
GlobalWafers Japan Co., Ltd.	128	100%	—	—	128	100%
Kunshan Sino Silicon	(Note 2)	100%	—	—	(Note 2)	100%
Shanghai GrowFast Semiconductor Technology Co.	—	—	(Note 2)	60%	(Note 2)	60%
Topsil Semiconductor sp z o.o.	—	—	1	100%	1	100%
SunEdison Semiconductor Limited	—	—	42,392	100%	42,392	100%
SunEdison Semiconductor B.V.	—	—	0.1	100%	0.1	100%

SunEdison Semiconductor Technology Pte Ltd.	—	—	0.001	100%	0.001	100%
MEMC Japan Ltd.	—	—	—	100%	—	100%
MEMC Electronic Materials, SpA	—	—	65,000	100%	65,000	100%
MEMC Electronic Materials France SarL	—	—	0.5	100%	0.5	100%
MEMC Electronic Materials GmbH	—	—	0.002	100%	0.002	100%
MEMC Holding B.V.	—	—	0.2	100%	0.2	100%
MEMC Korea Company	—	—	17,200	100%	17,200	100%
SunEdison Semiconductor LLC	—	—	1	100%	1	100%
MEMC Electronic Materials, Sdn Bhd	—	—	1,036	100%	1,036	100%
SunEdison Semiconductor Technology (Shanghai) Ltd	—	—	(Note 2)	100%	(Note 2)	100%
SunEdison Semiconductor Holdings B.V.	—	—	0.1	100%	0.1	100%
Taisil Electronic Materials Corp.	—	—	459,816	99.96%	459,816	99.96%
MEMC Ipoh Sdn Bhd	—	—	699,374	100%	699,374	100%

Note 1: Company adopting equity investment

Note 2: No shares as a Limited Corporation

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

##### 1. Issued Shares

Unit: NT/Share

Month/ Year	Price	Authorized		Paid-in		Note		
		Shares	Amount	Shares	Amount	Source of capital	Capital increased by assets other than cash	Other
1981/01	10	10,800,000	108,000,000	6,044,663	60,446,630	Cash offering 38,902,043	21,544,587	
1984/08	10	10,800,000	108,000,000	10,800,000	108,000,000	Cash offering 111,946	47,441,424	
1984/11	10	14,000,000	140,000,000	14,000,000	140,000,000	Cash offering 32,000,000	None	
1990/04	10	30,000,000	300,000,000	30,000,000	300,000,000	Cash offering 160,000,000	None	Note 1
1995/11	10	60,000,000	600,000,000	40,000,000	400,000,000	Cash offering 100,000,000	None	Note 2
1998/02	10	60,000,000	600,000,000	60,000,000	600,000,000	Cash offering 200,000,000	None	Note 3
1998/08	10	63,000,000	630,000,000	63,000,000	630,000,000	Capital surplus 30,000,000	None	Note 4
1999/12	10	78,000,000	780,000,000	78,000,000	780,000,000	Cash offering 150,000,000	None	Note 5
1990/10	10	86,421,000	864,210,000	86,421,000	864,210,000	Capital surplus, retained earnings, and capitalization of employee bonus 84,210,000	None	Note 6
2001/10	10	170,000,000	1,700,000,000	100,857,250	1,008,572,500	Retained earnings and capitalization of employee bonus 144,362,500	None	Note 7
2002/10	10	170,000,000	1,700,000,000	105,350,000	1,053,500,000	Retained earnings and capitalization of employee bonus 44,927,500	None	Note 8
2003/09	10	170,000,000	1,700,000,000	109,706,100	1,097,061,000	Capital surplus, retained earnings, and capitalization of employee bonus 43,561,000	None	Note 9
2004/09	10	170,000,000	1,700,000,000	114,593,000	1,145,930,000	Retained earnings and capitalization of employee bonus 48,869,000	None	Note 10
2004/09	10	170,000,000	1,700,000,000	122,300,000	1,223,000,000	Retained earnings and capitalization of employee bonus 77,070,000	None	Note 11
2005/10	10	170,000,000	1,700,000,000	152,300,000	1,523,000,000	Cash offering 300,000,000	None	Note 12
2006/09	10	250,000,000	2,500,000,000	161,000,000	1,610,000,000	Capital surplus, retained earnings, and capitalization of employee bonus 87,000,000	None	Note 13
2006/10	10	250,000,000	2,500,000,000	181,000,000	1,810,000,000	Cash offering 200,000,000	None	Note 14
2006/10	10	250,000,000	2,500,000,000	183,289,000	1,832,890,000	Execution of stock options 22,890,000	None	Note 15
2007/03	10	250,000,000	2,500,000,000	183,692,000	1,836,920,000	Execution of stock options 4,030,000	None	Note 16
2007/05	10	250,000,000	2,500,000,000	186,506,000	1,865,060,000	Execution of stock options 28,140,000	None	Note 17

2007/09	10	250,000,000	2,500,000,000	186,831,000	1,868,310,000	Execution of stock options 3,250,000	None	Note 18
2007/09	10	250,000,000	2,500,000,000	197,241,300	1,972,413,000	Retained earnings and capitalization of employee bonus 104,103,000	None	Note 19
2007/12	10	250,000,000	2,500,000,000	198,366,300	1,983,663,000	Execution of stock options 11,250,000	None	Note 20
2008/02	10	250,000,000	2,500,000,000	198,386,300	1,983,863,000	Execution of stock options 200,000	None	Note 21
2008/05	10	250,000,000	2,500,000,000	199,107,700	1,991,077,000	Execution of stock options 7,214,000	None	Note 22
2008/09	10	250,000,000	2,500,000,000	210,426,710	2,104,267,100	Retained earnings and capitalization of employee bonus 110,860,100 Execution of stock options 2,330,000	None	Note 23
2008/10	10	250,000,000	2,500,000,000	220,426,710	2,204,267,100	Cash offering 100,000,000	None	Note 24
2008/12	10	250,000,000	2,500,000,000	221,177,710	2,221,777,100	Execution of stock options 7,510,000	None	Note 25
2009/04	10	250,000,000	2,500,000,000	221,233,710	2,212,337,100	Execution of stock options 560,000	None	Note 26
2009/05	10	250,000,000	2,500,000,000	221,923,110	2,219,231,100	Execution of stock options 6,894,000	None	Note 27
2009/08	10	350,000,000	3,500,000,000	267,929,276	2,679,292,760	Retained earnings and capitalization of employee bonus 460,061,660	None	Note 28
2009/08	10	350,000,000	3,500,000,000	299,179,276	2,991,792,760	Cash offering 312,500,000	None	Note 29
2009/09	10	350,000,000	3,500,000,000	299,317,276	2,993,172,760	Execution of stock options 1,380,000	None	Note 30
2009/11	10	350,000,000	3,500,000,000	299,441,276	2,994,412,760	Execution of stock options 1,240,000	None	Note 31
2010/03	10	350,000,000	3,500,000,000	299,479,276	2,994,792,760	Execution of stock options 380,000	None	Note 32
2010/04	10	350,000,000	3,500,000,000	299,626,276	2,996,262,760	Execution of stock options 1,470,000	None	Note 33
2010/07	10	350,000,000	3,500,000,000	321,025,580	3,210,255,800	Retained earnings and capitalization of employee bonus 213,993,040	None	Note 34
2010/10	10	500,000,000	5,000,000,000	382,025,580	3,820,255,800	Cash offering 610,000,000	None	Note 35
2011/05	10	500,000,000	5,000,000,000	402,132,190	4,021,321,900	Share swap 201,066,100	None	Note 36
2011/08	10	600,000,000	6,000,000,000	423,119,081	4,231,190,810	Retained earnings and capitalization of employee bonus 209,868,910	None	Note 37
2011/11	10	600,000,000	6,000,000,000	443,119,081	4,431,190,810	Cash offering 20,000,000	None	Note 38
2012/08	10	800,000,000	8,000,000,000	523,119,081	5,231,190,810	Cash offering 80,000,000	None	Note 39
2014/05	10	800,000,000	8,000,000,000	523,143,081	5,231,430,810	Execution of stock options 24,000	None	Note 40
2014/08	10	800,000,000	8,000,000,000	580,031,151	5,800,311,510	New share issuance of a merger with Sunrise Solar Global Energy 56,880,700	None	Note 41

Note 1: Approval Document No. The 26 October 1980 Letter No. Taiwan Finance Securities –I-02824 of the Securities and Futures Commission, Ministry of Finance  
Note 2: Approval Document No. The 04 December 1995 Letter No. Taiwan Finance Securities –I-39204 of the Securities and Futures Commission, Ministry of Finance  
Note 3: Approval Document No. The 27 November 1997 Letter No. Taiwan Finance Securities –I-85459 of the Securities and Futures Commission, Ministry of Finance  
Note 4: Approval Document No. The 10 July 1998 Letter No. Taiwan Finance Securities –I-58663 of the Securities and Futures Commission, Ministry of Finance  
Note 5: Approval Document No. The 26 October 1999 Letter No. Taiwan Finance Securities –I-92634 of the Securities and Futures Commission, Ministry of Finance  
Note 6: Approval Document No. The 6 October 2000 Letter No. Taiwan Finance Securities –I-83996 of the Securities and Futures Commission, Ministry of Finance  
Note 7: Approval Document No. The 26 June 2001 Letter No. Taiwan Finance Securities –I-140364 of the Securities and Futures Commission, Ministry of Finance  
Note 8: Approval Document No. The 9 August 2002 Letter No. Taiwan Finance Securities –I-0910144515 of the Securities and Futures Commission, Ministry of Finance  
Note 9: Approval Document No. The 25 July 2003 Letter No. Taiwan Finance Securities –I-0920133758 of the Securities and Futures Commission, Ministry of Finance  
Note 10: Approval Document No. The 19 July 2004 Letter No. Financial Supervisory –Securities–I-0930132046 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan  
Note 11: Approval Document No. The 29 June 2005 Letter No. Financial Supervisory –Securities–I-0940126037 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan  
Note 12: Approval Document No. The 1 July 2005 Letter No. Financial Supervisory –Securities–I-0940125440 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan  
Note 13: Approval Document No. The 10 July 2006 Letter No. Financial Supervisory –Securities–I-0950128446 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan  
Note 14: Approval Document No. The 12 July 2004 Letter No. Financial Supervisory –Securities–I-0950128620 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan  
Note 15: Approval Document No. The 27 October 2006 Letter No. Science-Park-Listed-Company –0950028768 of Science Park Administration  
Note 16: Approval Document No. The 3 March 2007 Letter No. Science-Park-Listed-Company –0960006570 of Science Park Administration  
Note 17: Approval Document No. The 1 May 2007 Letter No. Science-Park-Listed-Company –0960011004 of Science Park Administration  
Note 18: Approval Document No. The 17 July 2007 Letter No. Taiwan Finance Securities –I-0960011004 of the Securities and Futures Commission, Ministry of Finance  
Note 19: Approval Document No. The 13 September 2007 Letter No. Science-Park-Listed-Company –0960025181 of Science Park Administration  
Note 20: Approval Document No. The 5 December 2007 Letter No. Science-Park-Listed-Company –0960033158 of Science Park Administration  
Note 21: Approval Document No. The 15 February 2008 Letter No. Science-Park-Listed-Company –0970007484 of Science Park Administration  
Note 22: Approval Document No. The 14 May 2008 Letter No. Science-Park-Listed-Company –0970012289 of Science Park Administration  
Note 23: Approval Document No. The 1 September 2008 Letter No. Science-Park-Listed-Company –0970023820 of Science Park Administration  
Note 24: Approval Document No. The 5 November 2008 Letter No. Science-Park-Listed-Company –09700031254 of Science Park Administration  
Note 25: Approval Document No. The 1 December 2008 Letter No. Science-Park-Listed-Company –0970033918 of Science Park Administration  
Note 26: Approval Document No. The 13 April 2009 Letter No. Science-Park-Listed-Company –0980010288 of Science Park Administration  
Note 27: Approval Document No. The 13 May 2009 Letter No. Science-Park-Listed-Company –0980012552 of Science Park Administration  
Note 28: Approval Document No. The 14 August 2009 Letter No. Science-Park-Listed-Company –0980021402 of Science Park Administration  
Note 29: Approval Document No. The 28 August 2009 Letter No. Science-Park-Listed-Company –0980024305 of Science Park Administration  
Note 30: Approval Document No. The 28 September 2009 Letter No. Science-Park-Listed-Company –0980027608 of Science Park Administration  
Note 31: Approval Document No. The 30 November 2009 Letter No. Science-Park-Listed-Company –0980033989 of Science Park Administration  
Note 32: Approval Document No. The 29 April 2010 Letter No. Science-Park-Listed-Company –0990012116 of Science Park Administration  
Note 33: Approval Document No. The 4 June 2010 Letter No. Science-Park-Listed-Company –0990015583 of Science Park Administration  
Note 34: Approval Document No. The 2 July 2010 Letter No. Science-Park-Listed-Company –0990018384 of Science Park Administration  
Note 35: Approval Document No. The 15 October 2010 Letter No. Science-Park-Listed-Company –0990031133 of Science Park Administration  
Note 36: Approval Document No. The 5 May 2011 Letter No. Science-Park-Listed-Company –1000011943 of Science Park Administration  
Note 37: Approval Document No. The 31 August 2011 Letter No. Science-Park-Listed-Company –1000025568 of Science Park Administration  
Note 38: Approval Document No. The 8 November 2011 Letter No. Science-Park-Listed-Company –1000033672 of Science Park Administration  
Note 39: Approval Document No. The 7 August 2012 Letter No. Science-Park-Listed-Company –1010024319 of Science Park Administration  
Note 40: Approval Document No. The 8 May 2014 Letter No. Science-Park-Listed-Company –1030012459 of Science Park Administration  
Note 41: Approval Document No. The 27 August 2014 Letter No. Science-Park-Listed-Company –1030025712 of Science Park Administration

## 2. Type of Stock

Type of Stock	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Stock	580,031,151 (include 5,555,000 treasury stocks)	219,968,849	800,000,000	OTC Stock

## 3. Shelf Registration: NA

### 4.1.2 Shareholder Structure

Date: April 30, 2016

Structure Number	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institution & Persons	Total
Number	6	14	182	75,311	256	75,769
Ownership (Share)	33,792,406	19,427,877	94,333,241	325,718,639	106,758,988	580,031,151
Ownership (%)	5.83%	3.35%	16.27%	56.14%	18.41%	100.00%

Note:

- 1.Foreign issuers shall specify its Chinese ownership: Chinese ownership refers to Chinese people, legal entity, group, other institute or companies invested by third area, the aforementioned are stipulated in Article 3 of Statute For Investment By Overseas Chinese.
- 2.The ownership percentage of China investors is 0%.



#### 4.1.3 Diffusion of Ownership

##### 1. Common Shares

Each share having a par value of NT\$ 10

Date: April 30, 2016

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership (Share)	Ownership (%)
1~999	30,479	3,291,900	0.57%
1,000~5,000	34,866	71,085,281	12.26%
5,001~10,000	5,468	41,133,651	7.09%
10,001~15,000	1,762	21,817,011	3.76%
15,001~20,000	981	18,062,480	3.11%
20,001~30,000	791	19,902,748	3.43%
30,001~40,000	360	12,813,983	2.21%
40,001~50,000	216	10,042,547	1.73%
50,001~100,000	450	32,242,280	5.56%
100,001~200,000	178	24,548,543	4.23%
200,001~400,000	91	24,840,585	4.28%
400,001~600,000	34	16,318,362	2.81%
600,001~800,000	20	13,694,678	2.36%
800,001~1,000,000	11	9,941,153	1.71%
Over 1,000,001	62	260,295,949	44.89%
Total	75,769	580,031,151	100.00%

#### 4.1.4 Major Shareholders

Date: April 30, 2016

Name	Share	Ownership (Share)	Ownership (%)
Solartech-energy Corp.		21,860,379	3.77%
New employee pension Fund		15,421,500	2.66%
Hong-wang Investment Company		13,881,000	2.39%
Ming-Kuang Lu		11,600,000	2.00%
Feng-Ming Chang		11,026,000	1.90%
Hong-mau Investment Company		10,425,000	1.80%
HSBC (Taiwan) Commercial Bank entrusted with custody of Morgan Stanley International Limited		10,289,590	1.77%
Public Service Pension Fund Committee Representative: Je-Shen Chang		8,584,956	1.48%
UBS Limited in the custody of HSBC Commercial Bank - Loan trading platform		8,473,329	1.46%
Pompeii Limited Partner Limited Partnership in the custody of HSBC Commercial Bank		8,262,000	1.42%

#### 4.1.5 Market Price, Net Worth, Earnings, Dividends per Share for the Recent Two Years

Item		Year	2015	2016	2016/1/1~2016/3/31
Market Price per Share	Highest		54.6	46.1	49
	Lowest		27.45	28.1	33.45
	Average		41.66	35.27	42.69
Net Worth per Share	Before Distribution		39.63	36.08	34.66
	After Distribution		38.22	Note1	NA
Earnings per Share	Weighted Average Shares (thousands)		578,179	574,476	574,476
	Earnings per Share	Before adjustment	0.93	(2.77)	(0.7)
		After adjustment	0.93	(2.77)	NA
Dividends per Share	Cash Dividends		1.5	Note 1	NA
	Stock Dividend	Retained Earning	-	Note 1	NA
		Capital Surplus	-	Note 1	NA
	Accumulated undistributed dividends		-	Note 1	NA
Return on Investment	Price/Earnings Rate		44.80	NA	NA
	Price/Dividend Rate		27.77	Note 1	-
	Cash dividend Yield		-	Note 1	-

Note 1: Pending 2016 shareholders' approval

#### 4.1.6 Dividend Policy and Execution Status

##### 1. Dividend policy

1. If the company get annual profit, it should set aside 3% to 15% for the remuneration of the staff, by the board of directors will resolution to assignment of stock or cash payment, the staff who receive the remuneration should meet certain conditions of the company; If the company has more than the amount of profit, by resolution of the board of Directors will resolution to assignment to no more than three percent as directors remuneration. The remuneration of staffs and the directors should be reported to the shareholders. If the company still has accumulated losses, it should reserve in advance for the amount and proportion, and then release the aforesaid promote remuneration to staffs and directors.

If the company's annual accounts have earnings, it could set aside 10% of the after tax profit and accumulated losses as the legal reserve except the reserve has equaled the capital, the rest could be set aside according to law or to special reserve. If there is a surplus, the board intends to have a surplus distribution of the motion with the cumulative distribution; the shareholders will be drawn to the shareholders to allocate the dividend bonus. To keep on the company's sustainable development and earnings per share (EPS) stable growth, dividends to shareholders and the annual after tax earnings deduction shall be listed in special surplus of more than 50% as the principle, distribution ratio to the cash dividend is not lower than 50%

## 2. Dividend allocation

2016 Profit distribution resolved by the board of directors on March 23th, 2017:

As of the beginning of 2015, the Company's retained earnings is NT\$7,979,673. Adding the adjustments of the remeasurements of defined benefit plans of NT\$15,491,302 and adjusted beginning unappropriated retained earnings amounting to NT\$23,470,975, setting off the net income of FY2016 of NT\$1,589,224,719, the accumulated loss of the year is NT\$1,565,753,744. In accordance with the aforesaid, it is proposed that no dividend will be distributed shareholders, and no remuneration will be paid to employees and directors.

2016 cash dividend through capital reserve resolved by the board of directors on March 23th, 2017:

The Company plans to distribute cash dividend through capital reserve of NT\$861,714,227. The distribution ratio is determined by the holding ratio of shareholders in the register of shareholders on the record date of the distribution. Each share will be distributed NT\$1.5 cash dividend. Upon the approval of the Annual General Meeting, the distribution record date will fall on July 30, 2017 and August 16, 2017, the dividend distribution day. The chairman is authorized to adjust the distribution ratio according to the total amount of the outstanding shares.

## 3. Expected dividend policy major changes: none.

### 4.1.7 Impact of the Stock Dividend Proposal of this Shareholders meeting on Operational Performance and Earning per Share: NA

Item		Year	2017 (Expected)
Beginning paid capital			NT\$ 5,800,312,000
rationed shares and interests	Cash dividend per share (Note 1)		NT\$ 1.5
	Surplus to capital per share (Note 1)		0
	Capital reserve to capital per share		0
Revenue performance	Revenue profit		NA  (Note2)
	Revenue profit increase(decrease) ratio with last year		
	Net profit after tax		
	Net profit after tax increase(decrease) ratio with last year		
	Earnings per share		
	Earnings per share increase(decrease) ratio with last year		
	Yearly Return ratio on investment (The average annual earnings)		
Preparation of earnings per share and earnings	If the surplus is transferred to the capital increase in cash dividends	Preparation of earnings per share	
		Preparation of Yearly Return ratio on investment	
	If capital reserve not transferred to the capital increase	Preparation of earnings per share	
		Preparation of Yearly Return ratio on investment	
	If not for the capital reserves and transfer surplus capital to cash dividend increase	Preparation of earnings per share	
		Preparation of Yearly Return ratio on investment	

Note 1 : Approval of the Annual Meeting of Shareholders in 2017

Note 2: According to Public Financial Forecast Information Rule to the Public Company, the company hasn't publish the completed financial forecast, no need to public the yearly expected information in 2017 as rule.

#### **4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration**

1. Percentage of dividends for employees and remuneration for directors in the Articles of Incorporation:

If the company get annual profit, it should set aside 3% to 5% for the remuneration of the staff, by the board of directors will resolution to assignment of stock or cash payment, the staff who receive the remuneration should meet certain conditions of the company; If the company has more than the amount of profit, by resolution of the board of Directors will resolution to assignment to no more than three percent as directors remuneration. The remuneration of staffs and the directors should be reported to the shareholders. If the company still has accumulated losses, it should reserve in advance for the amount and proportion, and then release the aforesaid promote remuneration to staffs and directors.

2. Proposal to Distribute Profits

The board of directors has approved on March 23th, 2017.

- (1) As of the beginning of 2015, the Company's retained earnings is NT\$7,979,673. Adding the adjustments of the remeasurements of defined benefit plans of NT\$15,491,302 and adjusted beginning unappropriated retained earnings amounting to NT\$23,470,975, setting off the net income of FY2016 of NT\$1,589,224,719, the accumulated loss of the year is NT\$1,565,753,744. In accordance with the aforesaid, it is proposed that no dividend will be distributed shareholders, and no remuneration will be paid to employees and directors.
- (2) Ratio of employee stock bonus to capitalization of earnings: NA
- (3) Recommended distribution of employee bonus and directors' and supervisors' remuneration has no differences with estimation, therefore, no need to disclose reason, variance and dealing: NA.
- (4) 2016 distribution of employee bonus and directors' and supervisors' remuneration is the same with proposal.

#### **4.1.9 Repurchase of Company Shares: NA**

#### **4.2 Status of Corporate Bonds: NA**

#### **4.3 Status of Preferred Stocks: NA**

## 4.4 GDR Issuance

Date: March 31, 2017

Date of Issuance			September 8, 2011
Issuance and Listing			Luxembourg Stock Exchange
Total Amount			US\$ 177,192,800
Offering Price per GDS			US\$ 2.9048
Units Issued			61,000,000 Units
Underlying Securities			Common shares of Sino-American Silicon Products Inc.
Common Shares Represented			61,000,000 Shares
Rights and Obligations of GDS Holders			<p>1. Holders of GDSs shall be entitled, in accordance with the provisions of the Deposit Agreement and the applicable provisions of laws and regulations of the ROC, to exercise the voting rights of the underlying common shares represented by the GDSs.</p> <p>2. Subject to the laws and regulations of ROC, the GDSs holders have the same rights to distributions of dividends as shareholders of common stocks. If SAS declares stock dividends or other distribution of common shares in the future, the Depositary shall, in accordance with the provisions of the Deposit Agreement and relevant applicable laws and regulations, issue correspondent units of new GDSs and allocate them to the GDSs holders on a pro-rata basis to their respective GDSs holding, increase the number of the underlying common shares represented by each unit of GDS, or sell, for and on behalf of the holders of GDSs, such stock dividends and distribute the proceeds (net of the applicable taxes and expenses) to the GDSs holders in proportion to the number of GDSs held by them.</p> <p>Subject to compliance with the relevant applicable laws and regulations, the GDSs holders have the same pre-emptive rights as SAS shareholders of common stocks in the event of a rights offering or other similar offering by SAS. The Depositary shall, to the extent permitted by the Deposit Agreement and the relevant laws and regulations, provide such pre-emptive rights to GDSs holders or sell such rights, for and on behalf of the GDSs holders, and distribute the proceeds (net of the applicable taxes and expenses) to the GDSs holders in proportion to the number of GDSs held by them.</p>
Trustee			Not Applicable
Depositary Bank			Citibank, N.A.
Custodian Bank			Citibank Taiwan Ltd.
GDSs Outstanding			1,100,941
Apportionment of expenses for the issuance and maintenance			All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of GDSs were borne by SAS and the selling shareholders, while maintenance expenses such as annual listing fees were borne by SAS.
Terms and Conditions in the Deposit Agreement and Custody Agreement			-
Closing Price per GDS	2015	High	US\$ 1.39
		Low	US\$ 0.88
		Average	US\$ 1.10
	01/01/2016~03/31/2016	High	US\$ 1.62
		Low	US\$ 1.03
		Average	US\$ 1.37

## 4.5 Employee Stock Options

### i. Issuance of Employee Stock Options

Date: March 31, 2016

Type of Stock Option	First Tranche
Regulatory approval date	2010.11.12
Issue date	2011.08.10
Units issued	10,000,000
Option shares to be issued as a percentage of outstanding shares	1.724%
Duration	6 years
Conversion measures	Issue new stock
Conditional conversion periods and percentages	Full 2 years: 40% Full 3 years: 60% Full 4 years: 80% Full 5 years: 100%
Converted shares	24,000
Exercised amount	1,346,400
Number of shares yet to be converted	9,976,000
Adjusted exercise price for those who have yet to exercise their rights	55.10
Unexercised shares as a percentage of total issued shares	1.7199%
Impact on possible dilution of shareholdings	None

**ii. List of Executives Receiving Employee Stock Options and the Top 10 Employees with Options Valued in Excess of NT\$30 Million**

Date: March 31, 2017 Unit: NTD

	Title	Name	No. of Option Shares	Option Shares as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousand)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousand)	Converted Shares as a Percentage of Shares Issued
Managers	Chairman	Ming-Kuang Lu	3,590,000	0.62%	0	0	0	0%	3,590,000	50.2	180,218,000	0.62%
	Vice Chairman	Tan-Liang Yao										
	President	Hsiu-Lan Hsu										
	Vice President	Ching-Chang Chin										
	Vice President	Hao-Chun Shih										
	Vice President	Yu-Tse Lin										
	Assistant Vice President	Ching-Wen Chou										
	Assistant Vice President	Tai-lung Ma										
	Manager	Mei-Ying Chiu										
	Employee	Yu-Hsin Lin										
Employees	Employee	Wei-Wen Chen	780,000	0.13%	24,000	56.1	1,346,400	0.0041%	756,000	50.2	37,951,200	0.13%
	Employee	Chin-Chen Chiu										
	Employee	Wei-Ko Huang										
	Employee	Chen-Huei Chang										
	Employee	Ming-Sung Yan										
	Employee	Sung-Lin Hsu										
	Employee	Sheng-Hsiung Hung										
	Employee	Hsin-Chung Chao										
	Employee	Jung-Tsung Wang										

**4.6 Status of New Shares Issuance of Limited Stocks for Employees: NA**

**4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: NA**

**4.8 Financing Plans and Implementation: NA**

## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

1. The Company shall engage in the following business:

CC01080 Electronic Parts and Components Manufacturing

F401010 International Trade

IG03010 Energy-related Technology and Service

(1) Research and development, design, manufacture and sell of the following products:

- Silicon-based semiconductor materials and their components
- Varistor
- Photovoltaic and communication materials

(2) The technology, management and advisory business related to the products listed above.

(3) Photovoltaic system integration and installation services.

(4) Import-export activities related to the above mentioned business.

2. Revenue distribution

Unit: NT\$1000; %		
Major Divisions	Total Sales in Year 2016	(%) of total sales
Solar Ingot	257,514	0.81%
Solar Wafer	4,982,969	15.77%
Semi Ingot	167,912	0.53%
Semi Wafer	17,850,125	56.49%
Solar Cell	3,390,511	10.73%
Solar Module	2,437,016	7.71%
Others	2,512,993	7.96%
Total	31,599,040	100.00%

3. Current Products and Service

(1) Ultra high efficiency multi-crystalline black wafer

(2) Robust solar wafer

(3) A5+ Ultra high efficiency multi-crystalline solar wafer

(4) Large size ultra high efficiency multi-crystalline solar wafer

(5) N-type solar wafer

(6) Ultra-thin solar wafer

(7) DW multi-crystalline solar wafer

(8) A4+ high efficiency multi-crystalline solar wafer

(9) Multi-crystalline solar brick



- (10) Mono-crystalline solar brick
- (11) Mono-crystalline solar wafer
- (12) High efficiency mono-crystalline Si solar cell
- (13) High efficiency bifacial mono-crystalline Si solar cell
- (14) High efficiency mono-crystalline Si metal-Wrap-Through back-contact solar cell
- (15) High efficiency mono-crystalline Si BusBar-less solar cell
- (16) High efficiency multi-crystalline Si BusBar-less solar cell

#### 4.Future New Technology and Products

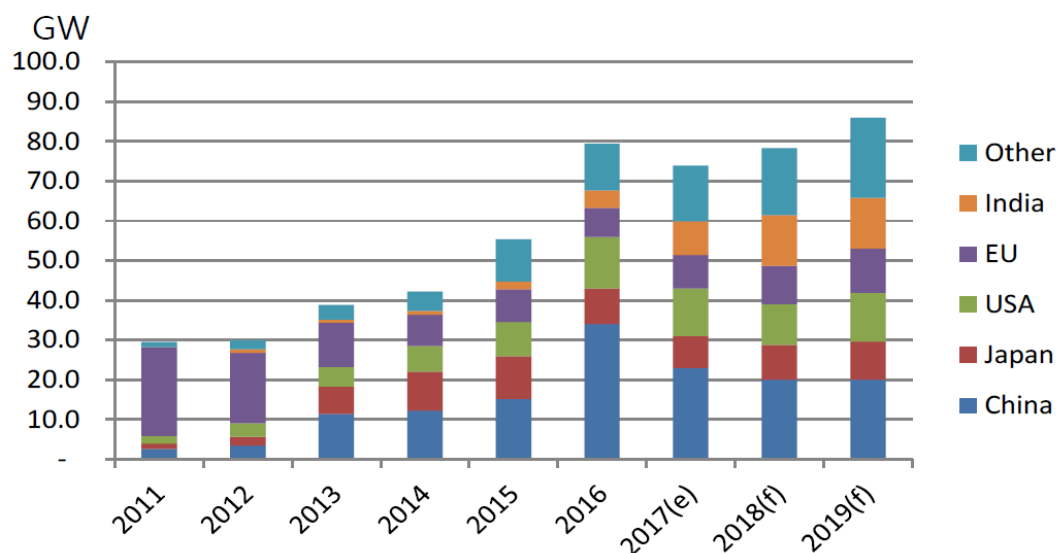
- (1) A6+ ingot growth technology
- (2) Low impurity diffusion multi-crystal ingot growth
- (3) G6 energy conservation hot zone technology
- (4) Very high efficiency P-type mono-crystalline Si solar cell
- (5) Very high efficiency and low LID P-type multi-crystalline Si solar cell

### 5.1.2 Industry Overview

#### 1. Industrial Current Status and Future Development

##### (1) Solar

The end customer's demand keeps increasing along with the falling installed costs of PV systems year by year. According to the statistics from MIC, the global PV installed capacity of 79.4GW in 2016 grew 43% of that in 2015. Looking to 2017, the total PV installed capacity is expected to achieve 73GW among major markets such as in China, USA, India, Japan and the emerging markets.

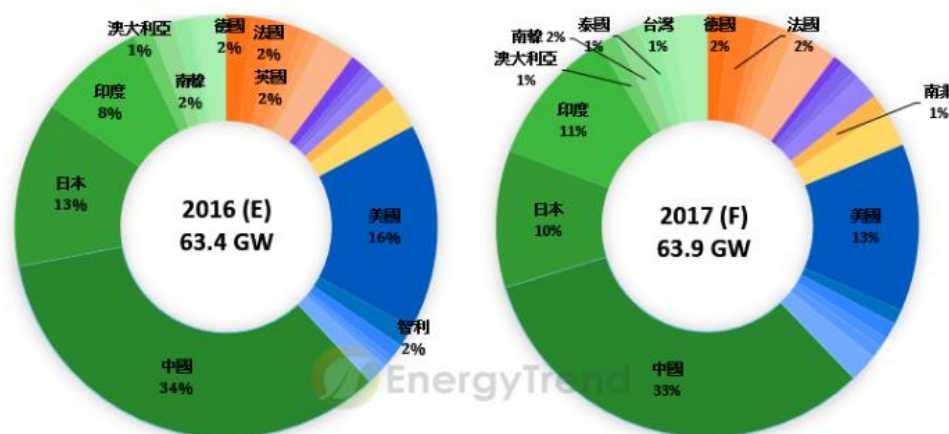


EnergyTrend from TrendForce indicates that PV-generated electricity has reached grid parity in 50% of the Sunbelt countries. In addition to the fermented issue of environmental carbon emission reduction, the condition of replacing part of the traditional power with solar power has become concrete for the need of the global public utility system as in Japan, USA, India and

the upcoming emerging markets that are likely to heat up the solar market growth from 2016 to 2020. For those countries whose per capita production value is below \$10,000 is very likely to be in great need of electricity driven by the economic growth. It is expected that in the next five years, mature PV markets are to be seen in countries such as Mexico, Brazil, Nigeria, Turkey, Tunisia, Pakistan, Indonesia, Vietnam, and UAE.

Taiwan government, aiming at establishing a non-nuclear homeland, set up a target of installed PV capacity of 20GW by 2025. Another two-year plan for installed PV capacity of 1.52GW has also been in progress since last year. If everything turns out well, the solar demand in Taiwan may achieved 900MW in 2017 and thus jumps into the top 10 solar market with Thailand. With the slow pace of global demand this year, Taiwan is likely to become one of the hot markets that interests major solar makers.

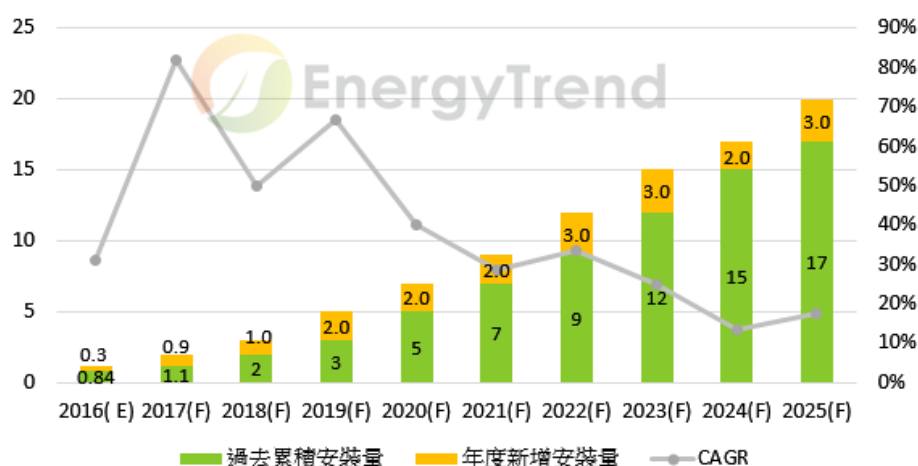
圖一、2016~2017年全球太陽能市場需求



Source: EnergyTrend, Nov., 2016

圖二：2016~2025年台灣太陽能達20GW目標需完成之年安裝量預估

(單位：GW)

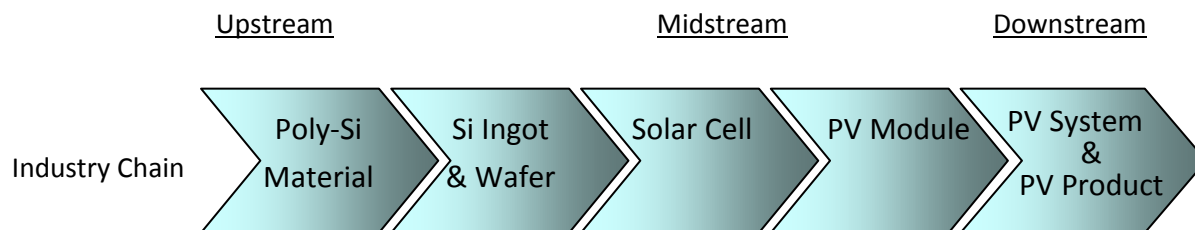


Source: EnergyTrend, Nov., 2016

## 2. Relationship with Up-, Middle- and Downstream Companies

### (1) Solar

### ***Solar Industry Connection Chain***



Source: SAS Internal

#### **(2) Semiconductor**

Please refer to the yearly report of our subsidiary GlobalWafers Co., LTD(stock code: 6488)

### **3. Product Trends and Competition**

#### **(1) Solar Industry**

Looking back to the year 2016, China has become 40% of the major market while the installation rush in the first half of the year failed to continue afterwards until Q4. Constantly major market for 2017 is expected to shrink under the decline of the total demand growth especially in USA, Japan and China. Overall, the market demand turns to high efficiency products such as high efficiency wafers, high efficiency cells, and increasing high efficiency modules.

#### **(2) Semiconductor**

Please refer to the yearly report of our subsidiary GlobalWafers Co., LTD(stock code: 6488)

### **5.1.3 Research and Development**

In recent years, our company is not only committed to crystal growth and silicon wafer material level precision machining process improvement, but also through exchanges and cooperation with academic and research institutions to promote rapidly of new technology and new product development capability. In addition to effectively reducing the amount of material use during the wafer processing section, recycled carrier within its own process to we also develop successfully carrier recovery and high-strength low breakage rate processing, this reduces production costs and enhance the quality of the wafer, No matter on improving polycrystalline productivity, lifting the ingot weight, increasing yield , reducing crystal defect density, reducing the metal impurities diffused, crystal quality improvement, reducing the amount of argon gas and electricity consumption, reducing sliced material, slice emissions reduction and recycling of waste use, all of these had already exceeded the international standards. A number of technical indicators have become the international benchmark, besides our company is also actively take part in patent portfolio to protect the company's intellectual property rights in the past few years. We have achieved more than 194 patent of research results and won several international awards so far.

#### **1. Percentage of Research and Development Expenses to Net Revenue for Two Years**

Unit: NTD \$1000

Year	2015	2016	By 2017/3/31
Net Revenue	28,269,357	31,599,040	13,577,050
Research and Development Expenses	790,448	976,091	377,408
Research and Development Percentage	2.80%	3.09%	2.78%

## 2. Developed Technology and Products (from latest year to the annual report issued date)

Project	Content	Investment
Next generation ultra high efficiency ultra low energy consumption 1.5 ton grade solar multi-crystalline growth and ultra low wafer reflection technology development.	First of its kind, SAS has co-developed with National Central University in casting ingot in G8 furnace by combining in-house technology and university simulation. The success included 17% reduction of power consumption of 173,992(kWh/annual per furnace), which equivalent to the amount of 0.3 Daan Forest Parks annual CO2 absorption, lowered reflection wafer with 4BB+PERC cell process reached 19.7% cell efficiency.	NT\$20 million
900 KG low energy consumption, high quality solar multi-crystalline thermal field design of ingot furnace and ingots growth technology development	Successfully developed 1. Large size high efficiency technology, 2. Multi-crystalline hot zone design, 3. High quality multi-crystalline growth technology with the assistance from National Central University in model simulation. SAS has since been casting ingots in G6 hot zone in massive scale, first of its kind in the industry. It helped reducing 10% of power consumption of 6,570,000(kWh/annual) that is equivalent to about the size of 10.8 Daan Forest Parks annual CO2 absorption.	NT\$310 million
A5+ Ultra-high efficiency mc-si crystal growth technology	This project leads to successful growth of high quality and low defect mc-si by using hot zone design and computer simulation. Solar cell efficiency has reached 19.4%.	NT\$100 million
Solar multi-crystalline wafer diamond wire slicing technology development.	The project emphasis on modification of existing slurry wire slicing machines to adopt diamond wire processes. The output outperformed current machines in the market both in terms of quality and cost.	10 million
High strength technology on solar wafer for anti-reflection and high fracture strength	This project has successfully developed nano-textured process and ultra low reflection solar wafer.	NT\$50 million
Recovery and recycle of SiC from waste wire saw slicing slurry	This project has successfully recovered and recycled SiC from waste slurry wire saw slicing by the use of wet process cyclone technology.	NT\$150 million
Recovery and recycle	This project has successfully recovered and recycled the	NT\$10 million

of PG from wire saw slicing	PG from slurry wire saw slicing by the use of pressure filter with various material of filter cloth to reduce cost and environment pollution.	
Recovery and recycle of slurry from wire saw slicing.	This project has successfully recovered and recycled the slurry (D0903) from wire saw slicing by the use of water cleaning process with pressure filter separating solid and liquid and evaporation process to extract oil. Formula pack helped to reuse extracted oil, which greatly reduce material cost and environmental impact.	NT\$10 million
Recovery and recycle of PAG from waste slurry wire saw slicing	This project has successfully recovered and recycled the PAG from waste slurry wire saw slicing by the use of special separation technology.	NT\$50 million
Development of high efficiency mono-Si Celco Solar cell	Mono Celco solar cell is combined with advanced process, rear passivation, and local BSF technologies. Celco Technology is successfully implemented into 100% mass production and patent protected.	NT\$150 million
Advanced Si nano-wire technology in solar wafer and solar cell for high power generation	This project developed by nano wafer 、ALD technology and high efficiency cell technology to increase cell efficiency and increase power generation.	NT\$90 million

#### 5.1.4 Long-term and Short-term Development

##### 1. Long-term Development

- (1) The renewable energy is a global consensus, especially passing the "Paris climate agreement" in December last year, with the clear targets of carbon reduction, it would be able to stabilize the solar application and the growth demand, and high conversion efficiency products is still the role for future growth.
- (2) Focus on high conversion multi crystal and mono crystal products to maintain competitiveness.
- (3) In the long-term point of view, strategic coalition with downstream module brands as well as system development is the mainstream trend. SAS has invested many enterprises since 2008, such as solar cell manufacturer Sunrise Global, Solartech Solar Energy, and system fab SunParc in Italy, AccuSolar and Powertec Energy in Taiwan, plus a formal merger with Aleo in Germany in and became strategic alliance partners with HUAWEI in China from the beginning of the year so as to integrate vertical resources to maximize the operation scale.

##### 2. Short-term Development

- (1) The company plans to launch various multi-crystal silicon products and keep improving cost control to approach margin target.
- (2) SAS has developed the most efficient polysilicon chips and P-type poly crystals cell (Celco), and started mass production. SAS will augment production so as to provide customers with high quality solar silicon materials and stay market competitiveness.

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

#### 1. Sales Region

##### (1)Solar

Unit: NTD \$1,000

Area		2015		2016	
		Turnover	%	Turnover	%
Local		6,302,697	49	5,385,812	40
Abroad	Asia	2,753,017	21	2,321,977	18
	America	450,259	3	473,392	4
	Others	3,472,809	27	5,008,424	38
Total		12,978,782	100	13,189,605	100

##### (2)Semi

Please refer to the yearly report of our subsidiary GlobalWafers Co., LTD(stock code: 6488)

#### 2. Market Share (%) of Major Product

##### (1) Solar

A. SAS is engrossed in high-efficiency solar wafer development, and evolving as major supplier of solar wafer in Taiwan. Accumulated capacity of Chunan branches I & II reaches 1GW, about 3.0% of the global solar wafers market.

B. The high efficiency mono crystal cell capacity in Yilan branch has expanded to 1GW including 200MW of cell production from overseas is to be the leading makers of high efficiency mono crystal PERC cell with the market share raised to about 5%.

##### (2) Semiconductor

Please refer to the yearly report of our subsidiary GlobalWafers Co., LTD(stock code: 6488)

#### 3. Future Supply And Demand in Market

##### (1) Solar

A. Coming with the environmental protection issue and cost decline of solar components, solar energy has been accepted by the world as an alternative energy. With the cost decline of solar modules, demand for solar power energy from markets everywhere has been increasing and is expected to reach 86GW by the year of 2019. The installed PV capacity by 2030 will achieve 41% of worldwide capacity.

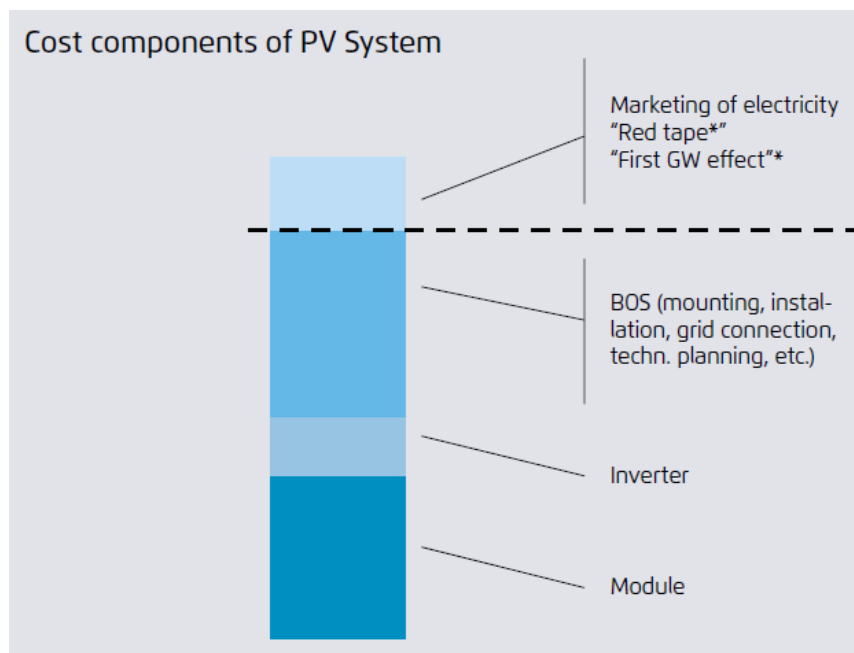
B. According to the 2-year solar PV program of the Ministry of Economic Affairs, in addition to roof type, SPW, SAS' subsidiary will also aggressively take part in the ground type system development.

##### (2)Semiconductor

Please refer to the yearly report of our subsidiary GlobalWafers Co., LTD(stock code: 6488)

#### 4. Competition Superiority

- (1) Long-term R&D investment to establish core competitive advantage
- (2) Extensive cooperation with production, public and university with a high degree of product innovation capability
- (3) Most scale capacity, with flexibility planning and scale of economic competitiveness
- (4) Work closely with downstream customers to grasp market demand and development trend
- (5) To have a long-term relationship with the raw material suppliers, to control the key raw materials to stabilize the supply source and cost advantage.
- (6) Many experts have advocated using LCOE to estimate the efficiency of PV system. The unit cost of PV refers to the comprehensive cost from grid power capacity of the project unit of solar power plants (as “degree” in general,) including investment costs of PV system projects, operation costs and periodical financial costs.



#### 5. Favorable and Unfavorable Factors in the Long-range Future

##### 1. Favorable Factors

##### A. Solar

- (1) Even though photovoltaic industry is not mature enough to be independent from government subsidy, renewable energy is the inevitable trend that worth eternal development.
- (2) Internationally recognized R&D and process improvement for advancing products and competence.
- (3) Complete marketing allocation and vertical integration together with government’s strategy to get green energy moving.
- (4) To aim at becoming a non-nuclear homeland, the government set a target of installed PV capacity of 20GW by 2025, and a two-year-plan of installed PV capacity of 1.52GW last year.
- (5) High efficiency solar products manufactured by SAS
- (6) No. 1 global market share and marketing of inverter strategy allied partner
- (7) Joint venture with the largest insurance company in Taiwan to build a foundation for long-term asset securitization in the future

## B. Semiconductor:

Please refer to the yearly report of our subsidiary GlobalWafers Co., LTD(stock code: 6488)

## 2. Unfavorable Factors and Countermeasures:

### A. Solar

- (1) Enormous competitors ardently undermine capacity and produce oversupply
- (2) Effects upon selling price and profit decline due to the launch of new manufacturers.
- (3) The solar trade war to China has not stopped which is started by the United States in 2012, the European Union launched a solar trade war against China in 2013, China also start double reverse operation to the material plant in Europe, the United States and South Korea, the US anti-dumping sanction was started in 2014, the European Union started retrial against China and started anti avoidance investigation to Taiwan and Malaysia in 2015, the United States will kick off retrial against China and the European Union may start the second anti avoidance investigation to Thailand and India in 2016.

#### Countermeasure:

- (1) Actively locate new clients, especially China; downstream integration and strategic alliance.
- (2) Strengthen technical connection with downstream clients; commitment in developing high-efficiency products with core technology; minimize production cost so as to magnify profit.
- (3) Both sides of the solar industry to set up factories in third area actively to avoid trade war. Once the European Union starts the anti-avoidance investigation to Thailand and India, the solar plants in these areas will be invested and be affected, but both side wil reduce the impact to a minimum according to the rich experience on trade war.
- (4) Continuous communication with relevant government department.
- (5) Continuous communication with Taiwan power company and relevant government department.

## B. Semiconductor

Please refer to the yearly report of our subsidiary GlobalWafers Co., LTD(stock code: 6488)

## 5.2.2 The Production Procedures of Main Products

### 1. Major Products and Their Application

Products	Main characteristics
Robust solar wafer	Enhance wafer strength 20%~30%. Lower the breakage rate of cell process 20%~30%.
Ultra-high efficiency multi-crystalline black wafer	Low wafer reflection, enhance cell efficiency DW DW multi-crystalline wafer surface treatment, enhance cell efficiency
N-type multi-crystalline solar wafer	Wafer lifetime more than 1ms
A5+ ultra-high efficiency mc-si wafer	For 18.4% High efficiency solar cell application. For 19.7% High efficiency PERC solar cell application.
A4+ extremely-high	For 18.25% High efficiency solar cell application.



efficiency mc-si wafer	For 19.55% High efficiency PERC solar cell application.
Multi-crystalline solar bricks	Bricks sliced to solar wafers and make into cells and assembled to solar battery.
High efficiency mono-Si cell	High Efficiency Mono-Si Solar Cell Efficiency > 21.00% High Efficiency Bifacial Mono-crystalline Si Solar Cell Efficiency > 21.00% and Bifaciality > 65% Mono-Si MWT Back Contact Solar Cell Efficiency > 21.40% Mono-Si BusBar-less Solar Cell Efficiency > 21.50% Solar cell module can reach 310W (60 pieces module)

## 2. Process Flow

### Solar mono-crystal Rods

Mono-crystal Growth → Slug Inspection → Crystal Quality Assessments → Squaring and Grinding → Solar Rods

### Solar Multi-Crystal Rods

Multi-Crystal Growth → Squaring → Crystal Quality Assessments → Solar Ingots

### Solar Wafering

Poly-Si → Crystal Growth → cropping → Squaring → Grinding → Slicing → As-cut Wafer pre-Cleaning → As-cut Wafer Cleaning → Inspection → Packaging

### Solar cell

Solar wafer → Surface roughness → Surface diffusion → Surface cleaning & edge insulating → Surface anti-reflective & passivation → metaling & sintering → solar cell efficiency measurement and classification

## 5.2.3 Supply Status of Main Materials

Major Raw Materials	Source of Supply	Supply Situation
Ingots	Company A, B, C	Good

## 5.2.4 Major Suppliers and Clients

### 1. Major Suppliers Information for the Last Two Calendar Years

Unit: NTD \$1000

Item	2015				2016				2017 (As of March 31)			
	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer
1	A	2,499,136	17.29	None	A	2,628,025	15.93	None	A	787,838	13.93	None
	Others	11,951,135	82.71	None	Others	13,494,925	84.07	None	Others	4,866,578	86.07	None

	Net Supplies	14,450,271	100.00		Net Supplies	16,494,925	100.00		Net Supplies	5,654,416	100.00	
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Note : Major suppliers mean each commanding 10%-plus share of annual order volume, yet contract specifies no name of suppliers or unrelated individuals shall be revealed, therefore, uses alphabet to refer.

## 2. Major Clients Information for the Last Two Calendar Years

Unit: NTD \$1000

Item	2015				2016				2017(As of March 31)			
	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer
1	B	2,771,154	9.80	None	A	1,962,297	6.21	None	B	1,578,356	11.63	None
	Others	25,498,203	90.20	None	Others	29,696,743	93.79	None	Others	11,998,694	88.37	None
	Net Sales	28,269,357	100.00		Net Sales	31,599,040	100.00		Net Sales	13,577,050	100.00	

Note : Major clients mean each commanding 10%-plus share of annual order volume, yet contract specifies no name of customer or unrelated individuals shall be revealed, therefore, uses alphabet to refer.

### 5.2.5 Production over the Last Two Years

Unit: NTD \$1000

Output Major Products (or by departments)	Year	2015			2016		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Solar Ingot(1000kg)		4,565	4,528	3,312,620	6,349	4,873	3,242,611
Solar Silicon Wafer(1000pic)		210,000	180,961	5,236,424	246,836	209,166	5,441,822
Semi Ingot		261	217	805,292	261	27.83	576,825
Semi Wafer		30,270	24,908	14,789,972	30,270	21,942	17,850,125
Solar Cell		84,290	77,866	4,685,640	118,800	89,185	4,651,876
Total		—	—	28,829,948	—	—	31,763,259

Note: Capacity means the optimum amount that can be produced by means of the existent facilities, exclusive of necessary stoppage and holidays.

### 5.2.6 Shipments and Sales over the Last Two Years

Unit: NTD \$1000

Shipments & Sales Major Products (or by departments)	Year	2015				2016			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Solar Ingots(kg)		—	—	87.124	69,111	0.47	463	283.94	257.052
Solar Silicon Wafer(round)		140,760	3,895,773	25,091	845,708	162,370	4,195,029	29,637	787,940
Semi Ingot & Wafer(1000)		7,470	2,481,654	16,965	12,310,409	7,362	3,712,464	14,609	14,305,574
Solar Wafer(1000)		5,695	361,752	20,988	1,124,041	11,814,89	716,744	40,452	2,673,767
Solar Module(1000)		—	—	624,675	3,771,114	14.07	73,649	22,763	2,363,367
Other		—	3,106,465	—	303,330	—	903,585	—	1,609,406
Total		153,925	9,845,644	687,807	18,423,713	181,561	9,601,934	107,745	21,9997,106

### 5.3 Human Resources

Year		2015	2016	By 2017/3/31
Number of Employees	Staff	632	409	392
	Manufacturing	1,579	1,158	1,136
	Total	2,211	1,567	1,527
Average Age		32.1	34.8	33.2
Average Years of Service		3.7	5.0	4.1
Education	Masters	9%	9.1%	9.4%
	Bachelor's Degree	54%	53.6%	53.4%
	Senior High School	32%	33%	32.9%
	Below Senior High School	5%	4.3%	4.3%

Finance-associated employees' certification status as below:

1. Corporation internal control basic test (SFI): 1 person (Audit department), 1 person (Finance department)
2. International Internal Auditor License: 1 person (Audit department)

#### 2016 Employee Training Status

Item	Class	People	Hours	Fee
New Staff Orientation	147	1,038	1,183	0
Professional Training	722	7,316	2,667.5	1,205,195
Common Training	416	5,297	1,177.5	302,905
Total	1,285	13,651	5,028	1,508,100

### 5.4 Environmental Protection Expenditures

**5.4.1** According to the Law, a Company Shall Apply Permission for Pollution Facilities Placement, Pollutant Emission; Pay Prevention Fee; Set up Environmental Department, above Explanations are as below: the Company Has Applied Permission for Pollution Facilities Placement and Set up Environmental Department to Deal with Related Matters.

**5.4.2** Investment of pollution preventing main facilities, and the purposes and possible benefits:

1. Pollution and improvement

The company continues to replace and improve old pollution preventing facilities, and operators training to avoid pollution from happening.

## 2.Environmental Protection Expenditures for the last three years

### A. 2014

- a.Air pollution prevention NT\$2,273,000
- b. Water pollution prevention NT\$2,198,000
- a.Industrial waste process NT\$14,969,000

### B. 2015

- a.Air pollution prevention NT\$4,420,000
- b. Water pollution prevention NT\$ 1,920,000
- c.Industrial waste process NT\$35,178,700

### C.2016

- a. Air pollution prevention NT\$9,085,000
- b. Water pollution prevention NT\$ 29,180,000
- c.Industrial waste process NT\$29,203,000

## 3.Anticipated Improvement

Above investments shall improve sewage and exhaustion emission more effectively, and shall reconstruct to cope with environmental regulations amendments.

### 5.4.3 The Company Shall Specify if There's Any Conflict Related to Pollution in the Last Two Years to the Date Issued Annual Report:

The liquid fuel sulfur content of the diesel oil storage tank for the generator is detected, and the content of sulfur is 58mg/kg (ppmw), which has exceeded the statutory limit of 50 mg/kg diesel (ppmw), the company will replace the diesel oil storage tank and commission the certification laboratory of third party sampling inspection to grasp the status of the oil, it will not happen again.

No pollution event happened in 2016.

### 5.4.4 The Company Shall Specify the Total Amount of Loss (Including Compensation), Punishment of Environment Pollution, and Disclose Future Countermeasures (Including Improvement) and Possible Expenditures (Including Estimate Of Possible Loss, Punishment, Compensation, or Specify Facts if Cannot Be Estimated) in the Last Two Years to the Date Issued Annual Report:

(1)2015.01.07 A penalty of NT\$12,000 for D-1505 and D-1506 waste raw materials and leakage declaration output

(2)2015.06.26 A penalty of NT\$200,000 for using raw materials without the permission of the publication (PG) and raw materials over licensing application limit

(3)2015.10.01 A penalty of NT\$100,000 for an overdue air pollution payment

(4)2016.02.23 A penalty of NT\$100,000 for different operation parameters of air pollution control system from that in the license document

**5.4.5** Effects of Current Pollution Condition and Improvement to Company Profit, Competition and Capital Expense, With Anticipated Major Environmental Protection Expenditures in The Next Two Years: None.

**5.4.6** RoHs Information: Perform RoHs-Prohibitive Materials Examination on Wafers.

## **5.5 Labor Relations**

### **5.5.1 Employee Benefits, Training, Education, Retirement Policy, Executions and Labor Negotiations and Measures to Protect Employee Rights.**

#### **1.Employee Benefits:**

- A. Provide high quality salary and fair reward, promotion methods to confirm all the colleagues to the company's contribution. Besides common benefit-labor, health and group insurances and pension, the company also provides bonus for new year, festivals, birthday, year-end party, cash premiums for wedding/funeral, travel allowance, Emergency assistance, scholarship, shuttle bus, lunch, dormitory, employee stocks and complete staff training.
- B. The company allocates 0.1% of monthly turnover and 40% of leftover income to Employee welfare committee, which operates in accordance with related regulations.

#### **2.Training and Practice:**

The company offers a wide range of training courses and profession in-service and self-growth courses, including fresh staff training, pm-site training, safety and sanitary training, profession courses and other related external programs. The company aims to foster competent employees for all challenges.

#### **3.Retirement Policy:**

- A. Two types for retirement: voluntary and mandatory.
  - Voluntary retirement: work over 15 years and reach age 55, or work over 25 years; work over 10 years and reach age 60
  - Mandatory retirement: reach age 65 since 2008.5.14/ insanity/ physically disabled for work, the company can perform mandatory retirement.
- B. Years of service calculation: start on the date of employment, except military service, position retained without pay should be deducted.
- C. Pension payment standards:
  - Old System:** Two units of radix shall be given when reaching one service year. One unit shall be given annually when reaching 15 service years, yet the maximum is 45. Service under 6 months is considered as one half year; service over 6 months is considered as one year. Any labor subjected to mandatory retirement, such as insanity or handicapped due to work injury, whose units of radix will be calculated according to above regulation with 20% plus.
  - New system:** Labor who chooses new system after 2005.7, whose service year before that shall be calculated according to old system; while after that, according to new system.

- D. Employment after 2005.7 shall be calculated according to new system. (Employer shall allocate 6% of salary into personal account in Bureau of Labor Insurance)

#### 4.Labor Negotiations:

Labor relations have been harmonious since company establishment, keeping open and smooth communication. Via labor relations meeting and employee welfare committee, both sides negotiate mutual benefits to meet needs and expectations.

#### 5.Measures To Protect Employee Rights:

Labor relations have been harmonious since company establishment, no conflict-caused losses, and we anticipate no such things shall happen in the future.

### **5.5.2 The Company Shall Disclose Present and Future Countermeasures and Possible Expenditures of Labor-Conflict-Caused Losses in the Latest Year to the Date Issued Annual Report:**

Labor relations have been harmonious since company establishment, no conflict-caused losses, and we anticipate no such things shall happen in the future.

### **5.5.3 Employee Ethical Conduct**

For better understanding of ethics, integrity, discipline and team spirit, SAS legislates related regulations for all company to follow, please refer below:

#### 1. Delegation of the Authorization:

SAS adopts delegation and deputy system to ensure smooth operation, and all departments strictly obey authority level.

#### 2. Reward and Punishment System:

Working regulation specifies commendation, merit citation as well as excellence merit citation for reward, and reprimand, demerit and two demerit points for punishment. Reward/Punishment may be given via bonus or deduction.

#### 3. Trade Secret Protection:

To ensure trade secret and intellectual property, employees must sign nondisclosure agreement of trade secret and intellectual property.

#### 4. Performance Evaluation:

To encourage team spirit and performance as well as explore talents, SAS legislates standard for performance evaluation for fair promotion and reward/punishment.

#### 5. Prevention and Procedure for Sexual Harassment:

For fair opportunity of different genders as well as dignity, SAS strictly forbids sexual harassment, specifies rules and complaint channel, so as to better behave employees.

#### 6. Work Regulation & Behavior standard:

For better definition of right and duty of both employer and employees, SAS legislates this regulation, catalog please refer below:

Chapter I	Appointment
Chapter II	Attendance
Chapter III	Overtime payment & Weekend Shift
Chapter IV	Salary, Allowance & Bonus
Chapter V	Evaluation, Reward/Punishment, Promotion & Transferring
Chapter VI	Resign, Position Retained without Pay, Severance, Dismissal

	& Retirement
Chapter VII	Labor Insurance & Health Insurance
Chapter VIII	Welfare Committee
Chapter IX	Subsidy (Marriage, Funeral, Birthday) & Emergency Allowance
Chapter X	Compensation of Occupational Accident
Chapter XI	Safety and Sanitary
Chapter XII	Communication System & Others

#### 7. Work Regulation & Behavior standard in Factory:

SAS legislates “Work Regulation & Behavior standard in Factory” for manufacturers in factory, so as to ensure product quality and SOP, such as dress code in clean room. The aforementioned are made for efficiency and work environment.

- (1) Obey all work regulations and laws.
- (2) Obey assignment, supervisors with no excuses.
- (3) No operation conflicts with SAS, no abuse of company name.
- (4) No personal interest via occupational convenience
- (5) No leak of company technology, management and trade secrets.
- (6) No news distribution unless approved by SAS
- (7) No personal storage, nor distribution of company confidential information.
- (8) No contraband, nor combustibles in company as well as production line.
- (9) No arbitrary entrance into forbidden area, nor bringing companions and discharged employees into company.
- (10) Salary is confidential, discussion is strictly forbidden
- (11) No gambling, drug abuse, smoking and betel nut nor other inappropriate behavior in company
- (12) No liquor in work time
- (13) Neither cherish public property, no waste, breakage, exchange nor occupying.
- (14) Keep adequate appearance, wearing uniform and identification badge.

New employees are informed of above rules when orientation, the latest version is also announced on billboard.

#### 5.5.4 Precaution of Environment And Labor Safety

SAS sets up specific unit and legislates “Procedure of Occupational Safety, Health and Inspection”, assigning designates staffs to take charge of related events. Content please refer below:

1. Regulation on work
  - (1) All staffs shall keep health physical and mental status, as well as good sanity.
  - (1) Through 5S execution
  - (2) No smoking, betel nuts and liquor in factory
  - (3) Smoking is only allowed in smoking area and no littering cigarette butts.
  - (4) Wear protection when handling hazardous materials.
  - (5) Mark hazardous materials and no breakage.
  - (6) Set qualified dispensers in factory and regularly exams.
  - (7) Disinfect whole factory annually
  - (8) Keep great toilet ventilation
  - (9) Full observation of 6S
  - (10) No spitting, littering cigarette butts and trash



## 2. Employee Safety

- (1) Follow protocol and SOP in every work
- (2) Don't be abrupt when facing no SOP work. One should carefully apply other SOPs or discuss with leaders before execute.
- (3) Workers and inspectors should wear helmet with fasten strings when working at over 2 meters heights or falling objects.
- (4) Use safe rope when working in open areas with over 2 meters heights.
- (5) Set up "danger" signs when power outage. Signs can only be removed when all problems are cleared and employees are off the spot.
- (6) Wear personal protections according to different stations. Any danger should be reported immediately.
- (7) No chasing, running or anything dangerous while working.
- (8) Following instruments and equipment limitations

## 5.6 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Land lease	Science Park Administration	1990.10.01~2020.09.30	4638 square meter, rental paid annually, NTD \$2,433,837 in total	Object business purpose only
Land lease	Science Park Administration	2005.06.01~2024.12.31	12004.74 square meter, rental paid annually, NTD \$1,571,664 in total	Object business purpose only
Land lease	Science Park Administration	2008.01.26~2027.12.31	13000 square meter, rental paid annually, NTD \$2,345,040 in total	Object business purpose only
Sales contract	Customer B B-2	2009~2020	Sales contract	None
Sales contract	Customer B B-3	2009~2020	Sales contract	None
Sales contract	Customer B B-4	2010~2021	Sales contract	None
Sales contract	Customer B B-5	2011~2022	Sales contract	None
Sales contract	Customer C C-2	2009~2021	Sales contract	None
Sales contract	Customer D D-2	2006~2020	Sales contract	None
Sales contract	Customer D D-3	2009~2020	Sales contract	None
Sales contract	Customer D D-4	2009~2020	Sales contract	None
Sales contract	Customer E E-1	2008~2020	Sales contract	None
Sales contract	Customer E E-2	2009~2019	Sales contract	None
Sales contract	Customer F F-2	2009~2021	Sales contract	None
Supplier contract	Supplier A A-2	2009~2018	Sales contract	None
Supplier contract	Supplier A A-3	2010~2019	Sales contract	None
Supplier contract	Supplier B B-4	2010~2018	Silicon contract	None
Supplier contract	Supplier C C-1	2009~2020	Silicon contract	None
Supplier contract	Supplier C C-2	2010~2020	Silicon contract	None
Supplier contract	Supplier C C-3	2013~2021	Silicon contract	None
Syndicated Loan Agreement	Taiwan Cooperative Bank/ Taipei Fubon Commercial Bank Co., Ltd./ E. Sun Commercial Bank/ Mega International Commercial Bank/ First Commercial Bank/ Ta Chong Bank	2013.05.09~2018.05.09	Syndicated loan in NTD 4 billion for bank loan payment and mid-term operation fund	None

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheet

Unit: NTD \$1000

Year Item		Five-Year Financial Summary(Note 1)				
		2012	2013	2014	2015	2016
Current Assets		11,653,889	—	—	—	—
Funds & Long-Term Investments		4,163,388	—	—	—	—
Fixed Assets (Note2)		18,053,170	—	—	—	—
Intangible Assets		631,754	—	—	—	—
Other Assets		3,833,583	—	—	—	—
Total Assets		38,335,784	—	—	—	—
Current Liabilities	Before Distribution	10,706,483	—	—	—	—
	After Distribution	—	—	—	—	—
Long-Term Liabilities		3,329,071	—	—	—	—
Other Liabilities		5,545,252	—	—	—	—
Total Liabilities	Before Distribution	19,580,806	—	—	—	—
	After Distribution	—	—	—	—	—
Capital Stock		5,231,191	—	—	—	—
Capital Surplus		14,878,908	—	—	—	—
Retained Earnings	Before Distribution	213,967	—	—	—	—
	After Distribution	—	—	—	—	—
Unrealized Gain Or Loss On Financial Instruments		(1,107,472)	—	—	—	—
Cumulative Translation Adjustments		(459,621)	—	—	—	—
Net Loss Unrecognized As Pension Cost		—	—	—	—	—
Total Shareholders' Equity	Before Distribution	18,754,978	—	—	—	—
	After Distribution	—	—	—	—	—

Note 1: Financial information for the past five years was audited and certified by Certified Public Accountants.

Note 2: No asset reevaluation

### 6.1.2 Condensed Statement of Income

Unit: NTD \$1000

Item \ Year	Five-Year Financial Summary (Note 1)				
	2012	2013	2014	2015	2016
Operating Revenue	19,089,330	—	—	—	—
Gross Profit	901,108	—	—	—	—
Income From Operations	(1,212,604)	—	—	—	—
Non-Operating Income	129,960	—	—	—	—
Non-Operating Expenses	1,599,393	—	—	—	—
Income From Operations Of Continued Segments - Before Tax	(2,682,037)	—	—	—	—
Income From Operations Of Continued Segments - After Tax	(2,360,471)	—	—	—	—
Income From Discontinued Departments	—	—	—	—	—
Extraordinary Gain Or Loss	—	—	—	—	—
Cumulative Effect Of Accounting Principle Changes	—	—	—	—	—
Net Income Or Loss For Current Period	(2,360,471)	—	—	—	—
Earnings Per Share	(4.90)	—	—	—	—

Note 1: Financial information for the past five years was audited and certified by Certified Public Accountants.

Note 2: The annual financial statements have been properly re-classified in the form of the expression of the first amendment to the provisions of the accounting standards for inventories tenth, which is in the form of financial accounting standards.

### 6.1.3 Auditors' Opinions for Last Five Years

Year	CPA's Name	Auditing Opinion	Note
2012	Chen, Chien-Chen Tseng, Mei-Yu	Modified unqualified opinion	Note
2013	Tseng, Mei-Yu Chen, Chien-Chen	Modified unqualified opinion	Note
2014	Tseng, Mei-Yu Huang, Yong-Hua	Modified unqualified opinion	Note
2015	Tseng, Mei-Yu Huang, Yong-Hua	Modified unqualified opinion	Note
2016	Tseng, Mei-Yu Huang, Yong-Hua	Modified unqualified opinion	Note

Note : The financial reports of the invested companies in the above financial statement were audited by other CPAs and not KPMG CPAs. Therefore, the opinions expressed are for the above financial statements. The amounts listed in the financial statements for related invested companies are based on reports audited by other CPAs.

## 6.2 Five-Year Financial Analysis

### 6.2.1 Taiwan GAAP

Item \ Year		Financial Analysis In The Past Five Years				
		2012	2013	2014	2015	2016
Financial Structure (%)	Ratio Of Liabilities To Assets	51.08	—	—	—	—
	Ratio Of Long-Term Capital To Fixed Assets	122.33	—	—	—	—
Solvency (%)	Current Ratio	108.85	—	—	—	—
	Quick Ratio	57.48	—	—	—	—
	Times Interest Earned Ratio	(8.49)	—	—	—	—
Operating Ability	Accounts Receivable Turnover (Turns)	8.04	—	—	—	—
	Average Collection Period	45.41	—	—	—	—
	Inventory Turnover (Turns)	7.51	—	—	—	—
	Accounts Payable Turnover (Turns)	10.86	—	—	—	—
	Average Days In Sales	48.57	—	—	—	—
	Fixed Assets Turnover (Turns)	1.31	—	—	—	—
	Total Assets Turnover (Turns)	0.56	—	—	—	—
Profitability	Return On Total Assets (%)	(6.27)	—	—	—	—
	Return On Shareholders' Equity (%)	(12.51)	—	—	—	—
	Ratio To Issued Capital (%)	Operating income	(23.18)	—	—	—
		Pre-tax profit	(51.27)	—	—	—
	Profit Ratio (%)	(12.37)	—	—	—	—
Cash Flow	Earnings Per Share (\$)	(4.9)	—	—	—	—
	Cash Flow Ratio (%)	12.26	—	—	—	—
	Cash Flow Adequacy Ratio (%)	70.22	—	—	—	—
Leverage	Cash Reinvestment Ratio (%)	1.28	—	—	—	—
	Operating Leverage	(1.7)	—	—	—	—
	Financial Leverage	0.81	—	—	—	—
Analysis of financial ratio change in the last two years. (The analyses can be skipped if difference is less than 20%) The financial information from 2013 is reviewed in accordance with the regulations of IFRS.						

Note 1: Financial information for 2012 was audited and certified by Certified Public Accountants.

Note 2: Glossary:

#### 1. Financial Structure

(1) Ratio Of Liabilities To Assets = Total Liabilities / Total Assets

(2) Ratio Of Long-Term Capital To Fixed Assets = (Net Shareholder's Equity + Long-Term Liabilities) / Net Fixed Assets

#### 2. Solvency

(1) Current Ratio = Current Assets / Current Liabilities.

(2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities.

(3) Times Interest Earned Ratio = Earnings before Interests And Taxes / Interest Expenses.

#### 3. Operating Ability

(1) Accounts Receivable Turnover = Net Sales / Average Trade Receivables.

(2) Average Collection Period = 365 / Accounts Receivable Turnover.

(3) Inventory Turnover = Cost Of Goods Sold / Average Inventory.

(4) Accounts Payable Turnover = Cost Of Goods Sold / Average Accounts Payable.

(5) Average Days In Sales = 365 / Inventory Turnover.

(6) Fixed Assets Turnover = Net Sales / Net Fixed Assets.

(7) Total Assets Turnover = Net Sales / Total Assets.

#### 4. Profitability

(1) Return on Total Assets (%) = [Net Income + Interest Expense x (1-Effective Tax Rate)] / Average Total Assets.

(2) Return on Stockholders' Equity = Net Income / Average Stockholders' Equity.

(3) Profit Ratio (%) = Net Income / Net Sales.

(4) Earnings Per Share (\$) = (Net Income – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding..

#### 5. Cash Flow

(1) Cash Flow Ratio (%) = Net Cash Provided by Operating Activities / Current Liabilities.

(2) Cash Flow Adequacy Ratio (%) = Five-year Sum of Cash from Operations / Five-year (Capital Expenditures + Inventories Additions + Cash Dividend)

(3) Cash Reinvestment Ratio (%) = (Net Cash Provided by Operating Activities - Cash Dividend) / (Gross Fixed Assets + Long-Term investments + Other Assets + Working Capital)

#### 6. Leverage

(1) Operating Leverage = (Net Sales – Variable Cost) / Income from operations.

(2) Financial Leverage = Income from operations / (Income from operations – Interest Expenditures).

Note 3: EPS calculation shall pay attention to below:

1. Weighted average common shares instead of circulated shares by yearend.

2. If capital increase or treasury stock happens, its circulation period should be considered in calculating weighted average shares.

3. If capital increase out of earnings or surplus happens, instead of circulation period, it should be adjusted according increase ratio in calculating previous EPS.

4. If preferred stock is inconvertible accumulated, stock dividend of that year (whether distributing or not) should be deducted from net income after tax, or be added to net loss after tax. If preferred stock is not accumulated, its stock dividend should be deducted from net income after tax, and no adjustment needed if encountering net loss after tax.

Note 4: Cash flow calculation shall pay attention to below:

1. Net Cash Provided by Operating Activities refers to Net cash flows from (used in) operating activities of Statements of Cash Flows

2. Capital expenditure refers to cash outflow of capital investment.

3. Inventory increase can only be calculated when yearend balance is more than year beginning. If inventory decreases in yearend, it shall be deemed zero.

4. Cash dividend includes common shares and preferred share.

5. Property, plant and equipment gross figure deducts accumulated depreciation

Note 5: Each operating cost/expense should be categorized to fixed and varied, when comes to estimation or subjective judgment, the issuer should pay attention to its reasonableness and consistency

### 6.2.1 IFRS

Item \ Year		Financial Analysis In The Past Five Years					2017/1/1~ 2017/3/31
		2012	2013	2014	2015	2016	
Financial Structure (%)	Ratio Of Liabilities To Assets	51	48.11	47	38	67	67
	Ratio Of Long-Term Capital To Fixed Assets	141.25	189.88	204	191	123	112
Solvency (%)	Current Ratio	89.45	152.25	172	191	94	80
	Quick Ratio	47.10	90.07	110	123	61	51
	Times Interest Earned Ratio	(9.23)	3.92	15.33	25.92	(4.25)	1.13
Operating Ability	Accounts Receivable Turnover (Turns)	7.92	6.18	6.13	5.05	4.29	6.24
	Average Collection Period	46.09	59.00	59.54	72.27	85.08	58.49
	Inventory Turnover (Turns)	7.35	4.99	5.39	4.63	3.64	5.01
	Accounts Payable Turnover (Turns)	12.93	7.19	8.9	8.5	6.08	8.36
	Average Days In Sales	49.69	73.00	67.71	78.83	100.27	72.85
	Fixed Assets Turnover (Turns)	1.26	1.3	1.83	1.66	1.05	1.35
	Total Assets Turnover (Turns)	0.54	0.57	0.68	0.65	0.49	0.67

Profitability	Return On Total Assets (%)	(6.87)	1.18	3.5	2.57	(1.77)	(0.80)
	Return On Shareholders' Equity (%)	(13.71)	1.74	6.16	4.21	(4.62)	(4.26)
	Ratio To Issued Capital (%)	(55.01)	2.45	33.19	33.79	(14.76)	(0.61)
	Profit Ratio (%)	(13.96)	1.53	4.67	3.74	(4.08)	(2.10)
	Earnings Per Share (\$)	(5.33)	0.57	2.06	0.93	(2.77)	(0.70)
Cash Flow	Cash Flow Ratio (%)	11.10	26.99	30.2	11.52	7.82	(1.11)
	Cash Flow Adequacy Ratio (%)	58.88	65.18	80.77	50.55	52.47	43.28
	Cash Reinvestment Ratio (%)	4.18	1.11	(0.44)	0.15	1.78	(1.80)
Leverage	Operating Leverage	(1.16)	6.56	2.52	1.98	186.54	8.17
	Financial Leverage	0.84	1.31	1.1	1.04	(0.32)	1.30
Analysis of financial ratio change in the last two years. (The analyses can be skipped if difference is less than 20%) Not applicable							

Note 1: The financial information for the first quarter 2016 has been reviewed by Certified Public Accountants.

Note 2: Glossary:

1. Financial Structure

(1) Ratio Of Liabilities To Assets = Total Liabilities/ Total Assets

(2) Ratio Of Long-Term Capital To Fixed Assets = (Net Shareholder's Equity + Long-Term Liabilities)/ Net Fixed Assets

2. Solvency

(1) Current Ratio = Current Assets / Current Liabilities.

(2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities.

(3) Times Interest Earned Ratio = Earnings before Interests And Taxes/ Interest Expenses.

3. Operating Ability

(1) Accounts Receivable Turnover = Net Sales / Average Trade Receivables.

(2) Average Collection Period = 365 / Accounts Receivable Turnover.

(3) Inventory Turnover = Cost Of Goods Sold / Average Inventory.

(4) Accounts Payable Turnover = Cost Of Goods Sold / Average Accounts Payable.

(5) Average Days In Sales = 365 / Inventory Turnover.

(6) Fixed Assets Turnover = Net Sales / Net Fixed Assets.

(7) Total Assets Turnover = Net Sales / Total Assets.

4. Profitability

(1) Return on Total Assets (%) = [ Net Income + Interest Expense x (1-Effective Tax Rate)] / Average Total Assets.

(2) Return on Stockholders' Equity = Net Income / Average Stockholders' Equity.

(3) Profit Ratio (%) = Net Income / Net Sales.

(4) Earnings Per Share (\$)= (Net Income – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding..

5. Cash Flow

(1) Cash Flow Ratio (%) = Net Cash Provided by Operating Activities / Current Liabilities.

(2) Cash Flow Adequacy Ratio (%) = Five-year Sum of Cash from Operations / Five-year (Capital Expenditures + Inventories Additions + Cash Dividend)

(3) Cash Reinvestment Ratio (%) = (Net Cash Provided by Operating Activities - Cash Dividend) / (Gross Fixed Assets + Long-Term investments + Other Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Sales – Variable Cost) / Income from operations.

(2) Financial Leverage = Income from operations / (Income from operations – Interest Expenditures).

Note 3: EPS calculation shall pay attention to below:

1. Weighted average common shares instead of circulated shares by yearend.

2. If capital increase or treasury stock happens, its circulation period should be considered in calculating weighted average shares.

3. If capital increase out of earnings or surplus happens, instead of circulation period, it should be adjusted according increase ratio in calculating previous EPS.

4. If preferred stock is inconvertible accumulated, stock dividend of that year (whether distributing or not) should be deducted from net income after tax, or be added to net loss after tax. If preferred stock is not accumulated, its stock dividend should be deducted from net income after tax, and no adjustment needed if encountering net loss after tax.

Note 4: Cash flow calculation shall pay attention to below:

1. Net Cash Provided by Operating Activities refers to Net cash flows from (used in) operating activities of Statements of Cash Flows
2. Capital expenditure refers to cash outflow of capital investment.
3. Inventory increase can only be calculated when yearend balance is more than year beginning. If inventory decreases in yearend, it shall be deemed zero.
4. Cash dividend includes common shares and preferred share.
5. Property, plant and equipment gross figure deducts accumulated depreciation

Note 5: Each operating cost/expense should be categorized to fixed and varied, when comes to estimation or subjective judgment, the issuer should pay attention to its reasonableness and consistency

Note 6: Instead of paid-in capital, foreign company should adopts net value as denominator

Note 7: Company stock of non-denomination or non-NTD10 per share should adopts the change in the balance sheet attributed to the parent company equity ratio for the capital ratio calculation.



### **6.3 Audit Committee's Report in the Most Recent Year:**

#### **Audit Committee's Audit Report**

The Board of Directors has prepared the Company's 2016 Business Report, Stand-alone and Consolidated Financial Statements and Earnings Distribution Proposal. Sino American Silicon Products Inc. Stand-alone and Consolidated Financial Statements have been audited and certified by Tseng, Mei-Yu, CPA and Huang, Yong-Hua, CPA, of KPMG and an audit report relating to the Financial Statements has been issued. The Business Report, Stand-alone and Consolidated Financial Statements and Earnings Distribution Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the supervisor of Sino American Silicon Products Inc. According to Article 219 of the Company Law, I hereby submit this report.

Hereto

Annual Shareholders' Meeting in Year 2017 of Sino American Silicon Products Inc.

Sino American Silicon Products Inc.

Audit Committee Convener : \_\_\_\_\_

Ting-Kuo Chen  
April 21, 2017

## **6.4 Audited Consolidated Financial Statements for Most Recent Year**

### **Independent Auditors' Report (Consolidated)**

To the Board of Directors of Sino-American Silicon Products Inc.,

#### **Opinion**

We have audited the consolidated financial statements of Sino-American Silicon Products Inc. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015 and January 1, 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015 and January 1, 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015 and January 1, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, inclusive of the report from other auditors, is sufficient and appropriate to provide a basis of our opinion.

#### **Other Matter**

Among the inclusion of the Group's investment accounted for using the equity method, audit on the financial report of Crystalwise Technology was not conducted by us but by other

accountants. Therefore, the opinion we provided for the standalone financial report about the recognition amount from Crystalwise Technology's financial report was based on the audit report of other accountant. The investment amounts using equity method by Crystalwise Technology as at December 31, 2016 and 2015 respectively were 1% and 3% of the total asset. The loss of affiliated enterprises using equity method from January 1 to December 31, 2016 and 2015 was 40% of loss before tax and (29)% of profit before tax respectively.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matter that should be disclosed in this audit report are as follows.

#### **1. Revenue recognition**

Please refer to note 4(16) "Revenue recognition" for accounting policy and note 6(25) "Revenue" of the consolidated financial statements.

##### **Description of key audit matter:**

The main revenue of the Group came from the selling of semiconductor silicon materials and related components. The timing for revenue recognition was determined according to agreements with customers. With large transaction volume from each operating site all over the world, we considered it one of the important matter while auditing the consolidated financial report of the Group.

##### **How the matter was addressed in our audit:**

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding of revenue recognition policies and assessing whether revenue recognition policies are appropriate based on sales terms and revenue recognition criteria; understanding the design and process of implementation of internal controls and testing operating effectiveness; testing selected sales samples and agreeing to customer orders, delivery note, cash receipts and related documentation supporting sales before or after the balance sheet date by reviewing related sales terms, inspecting delivery documents, and other related supporting document to evaluate whether the revenue was recorded in proper period.

#### **2. Inventory valuation**

Please refer to note 4(8) "Inventories", note 5(1) "Inventory valuation" and note 6(4) of the consolidated financial statements.

**Description of key audit matter:**

The solar business unit of the Group sells and manufactures solar silicon wafers, solar cells and power generation business. The market demand and prices of its related products fluctuated due to factors as governments' subsidy policy and anti-dumping that may resulted in risks of high inventory cost over net realization value. Thus we considered it as one of the important matters regarding its standalone financial report. While its semiconductor business unit selling and manufacturing semiconductor silicon materials with a variety of product applications also showed risks for technology changes, phased-out inventory or sluggishness that made inventory evaluation considered as an important asset of the Group. Thus we considered it one of the important matters while auditing the financial report of the Group.

**How the matter was addressed in our audit:**

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding of inventory valuation policies and assessing whether those policies are applied consistently to inventory valuation; testing the accuracy of inventory aging report; analyzing the change of inventory items aged over two years; and selecting samples for testing and inspecting the source of inventory net realizable value information used in valuation purposely to assess for reasonableness.

**3. Realty, factories and equipment valuation**

Please refer to note 4(13) "Non-financial asset valuation" and note 5(2) of the consolidated financial statements.

**Description of key audit matter:**

The product prices of the solar business unit of the Group continued to drop due to market factors and green power policy changes from governments. Thus we considered it important to estimate the loss on their realty, factories and equipment. The loss evaluation on asset included cash generation unit distinction, evaluation method determination, crucial consumption selection and receivable amount calculation etc. that required subjective judgments of the management level. Thus we consider it as an important matter for auditing.

**How the matter was addressed in our audit:**

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding and testing of the important assumptions such as valuation model, future cash flow forecast, service life and weighted average cost of capital taken by the authorities including the expected product income, costs and expenses etc., evaluating of the accuracy of the authorities in the past; analyzing the outcome sensitivity; also indentifying through inquiring related procedures if there is any matter affecting the outcome of loss testing after the financial information is reported.

**4. Business combination**

Please refer to the note 4(20) "Business combination" for accounting policy, note 5(3)

“Business combination” for fair value determination of identifiable assets and liabilities, and note 6(9) for the acquisition of subsidiary of the consolidated financial statements for further details.

**Description of key audit matter:**

To expand their global sales network and increase product development capability, the Group acquired all shareholding of the semiconductor business unit of Topsil Semiconductor materials A/S and SunEdison Semiconductor limited in 2016. The transaction amount of the above acquisition for operating assets, technology and goodwill of each operating site contained complicated accounting details. Thus we considered it as one of the important matter for auditing the consolidated financial report of the Group.

**How the matter was addressed in our audit:**

In relation to the key audit above, we have performed certain key audit procedures that included reading of share purchase agreements to identify the counterparty, purchase price and relevant terms and conditions, and what specific accounting standard is applicable or additional information needed to be disclosed in the notes of the financial statements; reviewing the Group’s purchase price allocation to the identifiable assets and liabilities; assessing the reasonableness of sources and key assumptions used for determining the fair value; reviewing business acquisition related transactions in the subsequent period to identify whether there are necessary significant adjustments to the purchase price; and evaluating whether the disclosure in the notes to the consolidated financial statements of the business acquisitions is appropriate.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial

reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Taipei, Taiwan (Republic of China)

March 23, 2017

## 2016 Financial Statements (Consolidated)

### Financial Statement – Balance Sheet

Provided by: Sino-American Silicon Products Inc.

Financial year: Yearly

Unit: NT\$ thousand

Accounting Title	2016/12/31	2015/12/31
<b>Balance Sheet</b>		
<b>Assets</b>		
Current assets		
Cash and cash equivalents		
Total cash and cash equivalents	9,269,460	5,901,967
Current financial assets at fair value through profit or loss		
Current financial assets at fair value through profit or loss, designated as upon initial recognition	2,442	0
Total current financial assets at fair value through profit or loss	2,442	0
Accounts receivable, net		
Accounts receivable	8,329,710	5,950,667
Accounts receivable, net	8,329,710	5,950,667
Accounts receivable due from related parties, net		
Accounts receivable due from related parties	230,137	253,216
Accounts receivable due from related parties, net	230,137	253,216
Inventories		
Inventories, manufacturing business		
Inventories, manufacturing business, net	9,708,321	5,748,878
Total inventories	9,708,321	5,748,878
Prepayments		
Total prepayments	916,647	776,489
Other current assets		
Other current financial assets	528,827	47,520
Other current assets, others	1,158,075	602,690
Total other current assets	1,686,902	650,210
Total current assets	30,143,619	19,281,427
Non-current assets		
Non-current available-for-sale financial assets		
Non-current available-for-sale financial assets	661,280	1,373,871
Non-current available-for-sale financial assets, net	661,280	1,373,871
Held-to-maturity non-current financial assets		
Non-current held-to-maturity financial assets, net	281,400	0



Non-current financial assets at cost		
Non-current financial assets at cost	898,754	1,362,697
Non-current financial assets at cost, net	898,754	1,362,697
Investments accounted for using equity method		
Investments accounted for using equity method	1,190,070	1,606,867
Investments accounted for using equity method, net	1,190,070	1,606,867
Property, plant and equipment		
Land, net		
Land, cost	3,619,236	770,267
Land, net	3,619,236	770,267
Buildings and structures, net		
Buildings and structures, cost	18,686,141	13,338,408
Accumulated depreciation, buildings and structures	7,580,754	7,088,486
Buildings and structures, net	11,105,387	6,249,922
Machinery and equipment, net		
Machinery and equipment, cost	58,620,449	40,610,309
Accumulated depreciation, machinery and equipment	35,622,817	34,406,817
Machinery and equipment, net	22,997,632	6,203,492
Other facilities, net		
Other facilities, cost	3,551,350	3,165,514
Accumulated depreciation, other facilities	1,952,090	1,727,152
Other facilities, net	1,599,260	1,438,362
Unfinished construction and equipment under acceptance	2,076,313	4,242,681
Total property, plant and equipment	41,397,828	18,904,724
Intangible assets		
Patents, net		
Patents	0	0
Patents, net	0	0
Goodwill	2,585,621	701,566
Acquired special technology, net		
Acquired special technology	1,708,113	0
Accumulated impairment, acquired special technology	2,286	0
Acquired special technology, net	1,705,827	0
Other intangible assets, net		
Other intangible assets	0	0
Other intangible assets, net	0	0
Intangible assets under development, net		
Intangible assets under development	153,291	0
Accumulated impairment, intangible assets under development	8,666	0

Intangible assets under development, net	144,625	0
Total intangible assets	4,436,073	701,566
Other non-current assets		
Non-current prepayments for investments	0	0
Other non-current financial assets		
Other non-current financial assets, others	424,931	230,958
Total other non-current financial assets	424,931	230,958
Other non-current assets, others		
Other non-current assets, others	3,580,453	2,724,226
Total other non-current assets, others	3,580,453	2,724,226
Total other non-current assets	4,005,384	2,955,184
Total non-current assets	52,870,789	26,904,909
Total assets	83,014,408	46,186,336
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings		
Bank loan	16,465,410	2,610,081
Total short-term borrowings	16,465,410	2,610,081
Current financial liabilities at fair value through profit or loss		
Current financial liabilities at fair value through profit or loss, designated as upon initial recognition	23,631	0
Total current financial liabilities at fair value through profit or loss	23,631	0
Accounts payable		
Accounts payable	6,323,165	2,726,322
Total accounts payable	6,323,165	2,726,322
Accounts payable to related parties		
Accounts payable to related parties	4,370	205,707
Total accounts payable to related parties	4,370	205,707
Other payables		
Wages and salaries payable	1,300,219	688,235
Dividends payable	0	0
Total other payables	1,300,219	688,235
Current provisions		
Short-term onerous contracts provision	408,703	588,585
Short-term provision for decommissioning, restoration and rehabilitation costs	9,690	0
Total current provisions	418,393	588,585
Other current liabilities		
Advance receipts		

Advance sales receipts	418,855	276,929
Total advance receipts	418,855	276,929
Long-term liabilities, current portion		
Long-term borrowings, current portion	1,238,990	65,587
Total long-term liabilities, current portion	1,238,990	65,587
Other current liabilities, others	5,708,632	2,908,665
Total other current liabilities	7,366,477	3,251,181
Total current liabilities	31,901,665	10,070,111
Non-current liabilities		
Long-term borrowings		
Long-term bank loans	16,356,833	2,545,519
Total long-term borrowings	16,356,833	2,545,519
Non-current provisions		
Long-term onerous contracts provision	502,936	715,725
Long-term provision for decommissioning, restoration and rehabilitation costs	133,272	29,094
Total non-current provisions	636,208	744,819
Other non-current liabilities		
Other non-current liabilities, others	6,892,615	4,256,311
Total other non-current liabilities	6,892,615	4,256,311
Total non-current liabilities	23,885,656	7,546,649
Total liabilities	55,787,321	17,616,760
Equity		
Equity attributable to owners of parent		
Share capital		
Ordinary share	5,800,312	5,800,312
Advance receipts for share capital	0	0
Total capital stock	5,800,312	5,800,312
Capital surplus		
Capital surplus, additional paid-in capital		
Capital surplus, additional paid-in capital arising from ordinary share	14,832,456	15,234,589
Total capital surplus, additional paid-in capital	14,832,456	15,234,589
Capital surplus, treasury share transactions	31,765	31,765
Capital surplus, difference between consideration and carrying amount of subsidiaries acquired or disposed	2,492,997	1,889,777
Capital surplus, changes in equity of associates and joint ventures accounted for using equity method	1,092,242	1,090,919
Capital surplus, employee share options	372,023	367,641
Total capital surplus	18,821,483	18,614,691
Retained earnings		

Legal reserve	311,579	259,628
Special reserve	513,302	513,302
Unappropriated retained earnings (accumulated deficit)		
Accumulated profit and loss	-1,565,754	519,512
Total unappropriated retained earnings (accumulated deficit)	-1,565,754	519,512
Total retained earnings	-740,873	1,292,442
Other equity interest		
Exchange differences on translation of foreign financial statements		
Exchange differences on translation of foreign financial statements, parent	-1,617,512	-1,460,070
Total exchange differences on translation of foreign financial statements	-1,617,512	-1,460,070
Unrealized gains (losses) on available-for-sale financial assets		
Unrealized gains (losses) on available-for-sale financial assets, parent	-1,188,654	-1,087,491
Total unrealized gains (losses) on available-for-sale financial assets	-1,188,654	-1,087,491
Other equity, others		
Other equity, others	-6,354	-3,267
Total other equity, others	-6,354	-3,267
Total other equity interest	-2,812,520	-2,550,828
Treasury shares	169,861	169,861
Total equity attributable to owners of parent	20,898,541	22,986,756
Non-controlling interests	6,328,546	5,582,820
Total equity	27,227,087	28,569,576
Total liabilities and equity	83,014,408	46,186,336
Number of share capital awaiting retirement	0	0
Equivalent issue shares of advance receipts for ordinary share	0	0
Number of shares in entity held by entity and by its subsidiaries	5,555,000	5,555,000

## Financial Statement – Income Statement

Provided by: Sino-American Silicon Products Inc.

Financial year: Yearly

Unit: NT\$ thousand

Accounting Title	2016/4th	2015/4th
Statement of comprehensive income		
Operating revenue		
Net sales revenue		
Sales revenue		
Sales revenue	31,599,040	28,269,357
Total sales revenue	31,599,040	28,269,357
Net sales revenue	31,599,040	28,269,357
Total operating revenue	31,599,040	28,269,357
Operating costs		
Cost of sales		
Cost of sales	28,164,027	23,998,126
Total cost of sales	28,164,027	23,998,126
Total operating costs	28,164,027	23,998,126
Gross profit (loss) from operations	3,435,013	4,271,231
Gross profit (loss) from operations	3,435,013	4,271,231
Operating expenses		
Selling expenses		
Total selling expenses	631,529	517,037
Administrative expenses		
Total administrative expenses	1,785,333	727,134
Research and development expenses		
Total research and development expenses	976,091	790,448
Total operating expenses	3,392,953	2,034,619
Net operating income (loss)	42,060	2,236,612
Non-operating income and expenses		
Other income		
Interest income		
Interest income from bank deposits	22,315	44,949
Total interest income	22,315	44,949
Dividend income	13,841	15,740
Total other income	36,156	60,689
Other gains and losses		

Foreign exchange gains	18,543	79,225
Miscellaneous disbursements	88,419	-112,852
Losses on disposals of investments	-81,131	0
Losses on financial assets (liabilities) at fair value through profit or loss	-61,893	275
Impairment loss		
Other impairment loss	452,661	57,826
Total impairment loss	452,661	57,826
Other gains and losses, net	-379,513	133,976
Finance costs		
Interest expense	172,816	76,882
Finance costs, net	172,816	76,882
Share of profit (loss) of associates and joint ventures accounted for using equity method		
Share of loss of associates and joint ventures accounted for using equity method	382,265	394,214
Share of profit (loss) of associates and joint ventures accounted for using equity method, net	-382,265	-394,214
Total non-operating income and expenses	-898,438	-276,431
Profit (loss) from continuing operations before tax	-856,378	1,960,181
Tax expense (income)		
Current tax expense (income)	432,628	903,779
Total tax expense (income)	432,628	903,779
Profit (loss) from continuing operations	-1,289,006	1,056,402
Profit (loss)	-1,289,006	1,056,402
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss		
Gains (losses) on remeasurements of defined benefit plans	34,914	-32,764
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6,599	-10,574
Components of other comprehensive income that will not be reclassified to profit or loss	28,315	-22,190
Components of other comprehensive income that will be reclassified to profit or loss		
Exchange differences on translation	-314,499	394,365
Unrealised gains (losses) on valuation of available-for-sale financial assets	-2,978	-194,379
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	-31,979	-6,235
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	7,269	8,621
Components of other comprehensive income that will be reclassified to profit or loss	-356,725	185,130
Other comprehensive income, net	-328,410	162,940

Total comprehensive income	-1,617,416	1,219,342
Profit (loss), attributable to:		
Profit (loss), attributable to owners of parent	-1,589,225	534,837
Profit (loss), attributable to non-controlling interests	300,219	521,565
Comprehensive income attributable to:		
Comprehensive income, attributable to owners of parent	-1,832,339	635,474
Comprehensive income, attributable to non-controlling interests	214,923	583,868
Basic earnings per share		
Basic earnings (loss) per share from continuing operations	-2.77	0.93
Total basic earnings per share	-2.77	0.93
Diluted earnings per share		
Diluted earnings (loss) per share from continuing operations	-2.77	0.92
Total diluted earnings per share	-2.77	0.92

## Financial Statement – Statements of Cash Flows

Provided by: Sino-American Silicon Products Inc.

Financial year: Yearly

Unit: NT\$ thousand

Accounting Title	2016/4th	2015/4th
<b>Statement of cash flows</b>		
Cash flows from (used in) operating activities, indirect method		
Profit (loss) from continuing operations before tax	-856,378	1,960,181
Profit (loss) before tax	-856,378	1,960,181
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	2,741,881	2,160,160
Amortization expense	15,768	31,775
Provision (reversal of provision) for bad debt expense	19,284	9,133
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	-39,237	0
Interest expense	172,816	76,882
Interest income	-22,315	-44,949
Dividend income	-13,841	-15,740
Share-based payments	5,563	15,620
Share of loss (profit) of associates and joint ventures accounted for using equity method	382,265	394,214
Loss (gain) on disposal of property, plant and equipment	17,413	9,560
Loss (gain) on disposal of investments	-81,131	0
Impairment loss on financial assets	452,661	57,826
Impairment loss on non-financial assets	125,516	134,551
Other adjustments to reconcile profit (loss)	219,705	52,597
Total adjustments to reconcile profit (loss)	3,996,348	2,881,629
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in accounts receivable	875,715	-1,194,215
Decrease (increase) in inventories	-64,377	-2,287,727
Decrease (increase) in prepayments	541,541	895,628
Decrease (increase) in other operating assets	242,590	-221,598
Total changes in operating assets	1,595,469	-2,807,912
Changes in operating liabilities		
Increase (decrease) in accounts payable	-172,362	219,281
Increase (decrease) in provisions	-358,680	-346,931



Increase (decrease) in receipts in advance	2,887	-730,464
Increase (decrease) in net defined benefit liability	-22,861	90,856
Increase (decrease) in other operating liabilities	-462,085	25,877
Total changes in operating liabilities	-1,013,101	-741,381
Total changes in operating assets and liabilities	582,368	-3,549,293
Total adjustments	4,578,716	-667,664
Cash inflow (outflow) generated from operations	3,722,338	1,292,517
Interest received	20,238	45,666
Dividends received	13,841	15,740
Interest paid	-160,818	-78,591
Income taxes refund (paid)	-1,099,479	-114,980
Net cash flows from (used in) operating activities	2,496,120	1,160,352
Cash flows from (used in) investing activities		
Acquisition of available-for-sale financial assets	0	-709,612
Acquisition of held-to-maturity financial assets	-280,000	0
Acquisition of financial assets at cost	-9,000	-2,305
Proceeds from capital reduction of financial assets at cost	10,568	5,464
Acquisition of property, plant and equipment	-4,001,213	-4,188,006
Proceeds from disposal of property, plant and equipment	56,160	102,238
Decrease in refundable deposits	2,727	-2,686
Net cash inflows from business combination	-16,968,015	0
Increase in other financial assets	-250,448	345,060
Dividends received	0	10,182
Net cash flows from (used in) investing activities	-21,439,221	-4,439,665
Cash flows from (used in) financing activities		
Increase in short-term loans	13,555,429	-209,287
Proceeds from long-term debt	15,607,812	1,599,000
Repayments of long-term debt	-6,950,935	-3,467,746
Cash dividends paid	-861,714	-1,044,058
Payments to acquire treasury shares	0	-169,861
Change in non-controlling interests	1,093,660	6,952,761
Net cash flows from (used in) financing activities	22,444,252	3,660,809
Effect of exchange rate changes on cash and cash equivalents	-133,658	129,889
Net increase (decrease) in cash and cash equivalents	3,367,493	511,385
Cash and cash equivalents at beginning of period	5,901,967	5,390,582
Cash and cash equivalents at end of period	9,269,460	5,901,967
Cash and cash equivalents reported in the statement of financial position	9,269,460	5,901,967

## Financial Statement — Statements of Changes in Stockholders' Equity

Provided by: Sino-American Silicon Products Inc.

Financial year: Yearly

Unit: NT\$ thousand

### 2016/12/31 Statement of Stockholders' Equity

Unit: NT\$ thousand

	Ordinary share	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Others	Total other equity interest	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Equity at beginning of period	5,800,312	5,800,312	18,614,691	259,628	513,302	519,512	1,292,442	-1,460,070	-1,087,491	-3,267	-2,550,828	-169,861	22,986,756	5,582,820	28,569,576
Legal reserve appropriated				51,951		-51,951	0						0		0
Special reserve appropriated													0		0
Cash dividends of ordinary share						-459,581	-459,581						-459,581		-459,581
Changes in equity of associates and joint ventures accounted for using equity method			1,323							-3,087	-3,087		-1,764	392	-1,372
Cash dividends from capital surplus			-402,133										-402,133		-402,133
Profit (loss)						-1,589,225	-1,589,225						-1,589,225	300,219	-1,289,006
Other comprehensive income						15,491	15,491	-157,442	-101,163		-258,605		-243,114	-85,296	-328,410
Total comprehensive income						-1,573,734	-1,573,734	-157,442	-101,163		-258,605		-1,832,339	214,923	-1,617,416
Changes in ownership interests in subsidiaries			603,220										603,220	1,101,349	1,704,569
Changes in non-controlling interests														43,847	43,847
Share-based payments			4,382										4,382		4,382
Others														-614,785	-614,785
Total increase (decrease) in equity	0	0	206,792	51,951		-2,085,266	-2,033,315	-157,442	-101,163	-3,087	-261,692		-2,088,215	745,726	-1,342,489
Equity at end of period	5,800,312	5,800,312	18,821,483	311,579	513,302	-1,565,754	-740,873	-1,617,512	-1,188,654	-6,354	-2,812,520	-169,861	20,898,541	6,328,546	27,227,087

2015/12/31 Statement of Stockholders' Equity

Unit: NT\$ thousand

	Ordinary share	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Others	Total other equity interest	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Equity at beginning of period	5,800,312	5,800,312	16,995,509	220,409	160,330	392,191	772,930	-1,669,610	-993,913	-6,989	-2,670,512		20,898,239	684,899	21,583,138
Legal reserve appropriated				39,219		-39,219	0						0		0
Special reserve appropriated					352,972	-352,972	0						0		0
Changes in equity of associates and joint ventures accounted for using equity method			11,403							3,722	3,722		15,125	826	15,951
Cash dividends from capital surplus			-1,044,058										-1,044,058		-1,044,058
Profit (loss)						534,837	534,837						534,837	521,565	1,056,402
Other comprehensive income						-15,325	-15,325	209,540	-93,576		115,962		100,637	62,303	162,940
Total comprehensive income						519,512	519,512	209,540	-93,576		115,962		635,474	583,868	1,219,342
Purchase of treasury share												-169,861	-169,861		-169,861
Disposal of subsidiaries or investments accounted for using equity method			0										0	0	0
Changes in ownership interests in subsidiaries			1,766,025										1,766,025	2,457,803	4,223,828
Changes in non-controlling interests			873,509										873,509	2,426,889	3,300,398
Share-based payments			12,303										12,303		12,303
Others														-571,465	-571,465
Total increase (decrease) in equity	0	0	1,619,182	39,219	352,972	127,321	519,512	209,540	-93,576	3,722	119,684	-169,861	2,088,517	4,897,921	6,986,438
Equity at end of period	5,800,312	5,800,312	18,614,691	259,628	513,302	519,512	1,292,442	-1,460,070	-1,087,491	-3,267	-2,550,828	-169,861	22,986,756	5,582,820	28,569,576

## 6.5 Audited Standalone Financial Statements for Most Recent Year

### Independent Auditors' Report (Standalone)

To the Board of Directors of Sino-American Silicon Products Inc.,

#### Opinion

We have audited the financial statements of Sino-American Silicon Products inc. ("the Company"), which comprise the balance sheets as of December 31, 2016 and 2015 and January 1, 2015, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015 and January 1, 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015 and January 1, 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, inclusive of the report from other auditors, is sufficient and appropriate to provide a basis of our opinion.

#### Other Matter

Among the inclusion of the Company's investment accounted for using the equity method, audit on the financial report of Crystalwise Technology was not conducted by us but by other accountants. Therefore, the opinion we provided for the standalone financial report about the recognition amount from Crystalwise Technology's financial report was based on the audit report of other accountant. The investment amounts using equity method by Crystalwise Technology as at December 31, 2016 and 2015 respectively were 4% and 5% of

the total asset. The loss of affiliated enterprises using equity method from January 1 to December 31, 2016 and 2015 was 21% of loss before tax and (59)% of profit before tax respectively.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### 1. Inventory valuation

Please refer to note 4(7) "Inventories", note 5(1) "Inventory valuation" and note 6(3) of the consolidated financial statements.

##### Description of key audit matter:

The Company sells and manufactures solar silicon wafers, solar cells and power generation business. The market demand and prices of its related products fluctuated due to factors as governments' subsidy policy and anti-dumping that may resulted in risks of high inventory cost over net realization value. Thus we considered it as one of the important matters regarding its standalone financial report.

##### How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding of inventory valuation policies and assessing whether those policies are applied consistently to inventory valuation; testing the accuracy of inventory aging report; analyzing the change of inventory items aged over two years; and selecting samples for testing and inspecting the source of inventory net realizable value information used in valuation purposely to assess for reasonableness.

#### 2. Realty, factories and equipment valuation

Please refer to note 4(13) "Non-financial asset valuation" and note 5(2) of the consolidated financial statements.

##### Description of key audit matter:

The product prices of the Company continued to drop due to market factors and green power policy changes from governments. Thus we considered it important to estimate the loss on their realty, factories and equipment. The loss evaluation on asset included cash generation unit distinction, evaluation method determination, crucial consumption selection and

receivable amount calculation etc. that required subjective judgments of the management level. Thus we consider it as an important matter for auditing.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding and testing of the important assumptions such as valuation model, future cash flow forecast, service life and weighted average cost of capital taken by the authorities including the expected product income, costs and expenses etc., evaluating of the accuracy of the authorities in the past; analyzing the outcome sensitivity; also indentifying through inquiring related procedures if there is any matter affecting the outcome of loss testing after the financial information is reported.

### 3. Impairment on investment accounted for using the equity method

Please refer to note 4(9) “Invest subsidiary”, note 6(7) “Investment adopting equity method” and note 6(8) changes to all equity of its subsidiary.

Description of key audit matter:

The Company holds investment using the equity method – 60.20% shareholding of its subsidiary (GlobalWafers Co., Ltd.) which takes 32% of the Company’s total asset. We consider it one of the important matter for auditing.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included auditing the comprehensive profit and loss of the investment toward its subsidiary according to the shareholding ratio; confirming the number of the share held; discussing and understanding with the management level about important valuations on its subsidiary so as to indentify the reasonableness of accounting if the revenue recognition of the subsidiary is dealt in proper period by inventory valuation and business combination; reviewing the adequacy of the financial information disclosed by the management level.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either

intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Taipei, Taiwan (Republic of China)

March 23, 2017



**Sino-American Silicon Products Inc.**  
**Parent-Company-Only Statements of Financial Position**  
**December 31, 2016 and 2015 (expressed in thousands of New Taiwan dollars)**

	<b>December 31, 2016</b>		<b>December 31, 2015</b>	
<b>Assets</b>				
<b>Current assets:</b>		%		%
Cash and cash equivalents	\$ 2,579,645	9	1,279,123	4
Notes and trade receivable, net	488,815	2	1,289,888	4
Accounts receivable from related parties	1,181,941	4	1,362,216	4
Inventories, net	2,006,867	7	1,995,196	6
Prepayments for materials	484,203	2	439,566	1
Other current assets	131,742	-	194,142	1
	<u>6,873,213</u>	24	<u>6,560,131</u>	20
<b>Non-current assets:</b>				
Available-for-sale financial assets – non-current	661,280	2	840,130	3
	281,400	1		
Financial assets carried at cost – non-current	368,141	1	811,802	2
Investments accounted for using equity method	13,244,929	44	15,159,801	47
Property, plant and equipment, net	7,114,781	24	7,282,061	23
Intangible assets	—	—	—	—
Deferred income tax assets	210,876	1	263,473	
Other financial assets – non-current	24,636	—	41,796	—
Long-term prepayments for materials	827,887	3	1,310,401	4
	<u>22,733,930</u>	76	<u>25,709,464</u>	80
		10		10
<b>Total Assets</b>	<b>\$ <u>29,607,143</u></b>	<b>0</b>	<b><u>32,269,595</u></b>	<b>0</b>

**Liabilities and Stockholders'**

**December**

**December**

<b>Equity</b>	<b>31, 2016</b>		<b>31, 2015</b>	
<b>Current liabilities:</b>		%		%
Short-term borrowings	\$ 1,760,000	6	1,150,000	3
Notes and accounts payable	1,376,761	4	1,337,461	4
Payables to related parties	6,441	-	339,609	1
Payroll and bonus payable	267,900	1	233,436	1
Other current liabilities	386,521	1	1,052,910	3
Revenue received in advance for sales	318,136	1	268,439	1
Provision – current	—	—	119,519	—
Current portion of long-term loans payable	748,011	3	65,587	—
	<u>4,863,770</u>	15	<u>4,447,442</u>	13
<b>Non-current liabilities:</b>				
Long-term loans payable	1,990,000	7	2,545,519	8
Liability reserve	427,000	1	427,000	1
Other liabilities – non-current	22,580	-	318,515	1
Revenue received in advance for sales – non-current	1,405,324	5	1,544,363	5
	<u>3,844,832</u>	13	<u>4,835,397</u>	15
<b>Total Liabilities</b>	<u>8,708,602</u>	28	<u>9,282,839</u>	28
<b>Equity:</b>				
Common stock	5,800,312	20	5,800,312	18
Capital surplus	<u>18,821,483</u>	64	<u>18,614,691</u>	58
Retained earnings:				
Legal reserve	311,579	1	259,628	1
Special reserve	513,302	2	513,302	2
Unappropriated earnings (accumulated deficits)	<u>(1,565,754)</u>	(5)	<u>519,512</u>	2
	<u>(740,873)</u>	(2)	<u>1,292,442</u>	5
Other equity	<u>(2,812,520)</u>	(9)	<u>(2,550,828)</u>	(8)
<b>Tresury Stock</b>	<u>(169,861)</u>	(1)	<u>(169,861)</u>	(1)
<b>Total Equity</b>	<u>20,898,541</u>	72	<u>22,986,756</u>	72
		10		10
<b>Total Liabilities and Equity</b>	<u>\$ 29,607,143</u>	0	<u>32,269,595</u>	0

**Parent-Company-Only Statements of Profit or Loss and Other Comprehensive Income**  
**Years ended December 31, 2016 and 2015 (expressed in thousands of New Taiwan dollars,**  
**except for**  
**earnings per share)**

	<u>2016</u>		<u>2015</u>	
		%		%
<b>Operating revenues:</b>	\$ 10,390,005	100	11,915,968	100
<b>Cost of goods sold</b>	<u>11,298,216</u>	<u>109</u>	<u>11,936,762</u>	<u>100</u>
<b>Gross loss</b>	<u>(908,211)</u>	<u>(9)</u>	<u>(20,794)</u>	—
<b>Operating expenses:</b>				
Selling	53,714	—	49,275	—
General and administrative	106,182	1	147,319	1
Research and development	<u>207,175</u>	<u>2</u>	<u>211,867</u>	<u>2</u>
<b>Total operating profit</b>	<u>367,071</u>	<u>3</u>	<u>408,461</u>	<u>3</u>
<b>Operating loss</b>	<u>(1,275,282)</u>	<u>(12)</u>	<u>(429,255)</u>	<u>(3)</u>
<b>Non-operating income and (expenses):</b>				
Other income	25,007	—	21,852	—
Other gains and (losses)	(446,619)	(4)	58,280	—
Interest expense	(66,422)	(1)	(65,172)	(1)
Share of profit or loss of subsidiaries and associates accounted for using equity method	<u>170,432</u>	<u>2</u>	<u>1,083,387</u>	<u>9</u>
<b>Total non-operating income and expenses</b>	<u>(317,602)</u>	<u>(3)</u>	<u>1,098,347</u>	<u>8</u>
<b>Profit from continuing operations before income tax</b>	<u>(1,592,884)</u>	<u>(15)</u>	669,092	5
<b>Income tax expense</b>	<u>(3,659)</u>	-	<u>134,255</u>	<u>1</u>
<b>Net profit (loss)</b>	<u>(1,589,225)</u>	<u>(15)</u>	<u>534,837</u>	<u>4</u>
<b>Other comprehensive income (loss) :</b>				
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
Actuarial loss on defined benefit plans	(3,905)	—	(1,573)	—

Share of other comprehensive income of subsidiaries and associates accounted for using equity method	19,396	—	(13,752)	—
<b>Total of items that may be reclassified subsequently to profit or loss:</b>	<u>15,491</u>	<u>—</u>	<u>(15,325)</u>	<u>—</u>
<b>Income tax related to components of other comprehensive income that will be reclassified to profit or loss</b>				
Exchange differences on translation of foreign operations	(76,933)	—	26,536	—
Unrealized gain (loss) on available-for-sale financial assets	(178,850)	(2)	(18,507)	—
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	(15,900)	—	112,444	<u>1</u>
Income tax related to other comprehensive income	<u>13,078</u>	<u>—</u>	<u>(4,511)</u>	<u>—</u>
<b>Total other comprehensive income (loss), net of income tax</b>	<u>(243,114)</u>	<u>(2)</u>	<u>100,637</u>	<u>1</u>
<b>Total comprehensive income (loss)</b>	<u>\$ (1,832,339)</u>	<u>(17)</u>	<u>635,474</u>	<u>5</u>
<b>Earnings per share (in dollars)</b>				
Basic earnings (loss) per share	<u>\$ (2.77)</u>		<u>0.93</u>	
Diluted earnings (loss) per share			<u>0.92</u>	

**Parent-Company-Only Statements of Changes in Stockholders' Equity**  
**Years ended December 31, 2016 and 2015 (expressed in thousands of New Taiwan dollars)**

	Commo n stock	Capital surplus	<u>Retained Earnings</u>				<u>Other Equity</u>				Treasur y stock	<u>Total equity</u>
			<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriate d earnings (accumulated deficit)</u>	<u>Total</u>	<u>Exchange differences on translation</u>	<u>Unrealized gain (loss) on available-for-sal e financial assets</u>	<u>other</u>	<u>Total</u>		
<b>Balance at January 1, 2015</b>	\$	<u>5,800,312</u>	<u>16,995,509</u>	<u>9</u>	<u>160,330</u>	<u>392,191</u>	<u>772,930</u>	<u>1,669,610</u>	<u>(993,913)</u>	<u>(6,989)</u>	<u>(2,670,512)</u>	<u>20,898,239</u>
Net profit for the period	—	—	—	—	534,837	534,837	—	—	—	—	—	534,837
Other comprehensiv e profit and loss	=	=	=	=	<u>(15,325)</u>	<u>(15,325)</u>	<u>209,540</u>	<u>(93,578)</u>	=	<u>115,962</u>	=	<u>100,637</u>
Total comprehensiv e profit and loss	=	=	=	=	<u>519,512</u>	<u>519,512</u>	<u>209,540</u>	<u>(93,578)</u>	=	<u>115,962</u>	=	<u>635,747</u>
Appropriation and distribution of retained												

earnings (Note1)													
Legal reserve	—	—	39,219	—	(39,219)	—	—	—	—	—	—	—	—
Special reserve used to offset company losses	—	—	—	352,972	(352,972)	—	—	—	—	—	—	—	—
Treasure stock acquired	—	—	—	—	—	—	—	—	—	—	—	(169,861)	(169,861)
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees	—	12,303	—	—	—	—	—	—	—	—	—	—	12,303
Capital surplus cash dividend declared	—	(1,044,058)	—	—	—	—	—	—	—	—	—	—	(1,044,058)

Subscription of subsidiary capital income	—	873,509	—	—	—	—	—	—	—	—	—	873,509
Difference of equity accounted investees	—	11,403	—	—	—	—	—	—	3,722	3,722	—	15,125
Proceeds from sales of subsidiaries' equity to non-controlling invest	=	<u>1,766,025</u>	=	=	=	=	=	=	=	=	=	<u>1,766,025</u>
<b>Balance at December 31, 2015</b>	<u>5,800,312</u>	<u>18,614,691</u>	<u>259,628</u>	<u>513,302</u>	<u>519,512</u>	<u>1,292,442</u>	<u>(1,460,070)</u>	<u>(1,087,491)</u>	<u>(2,550,828)</u>	<u>(3,267)</u>	<u>(169,861)</u>	<u>22,986,756</u>
Net profit for the period	—	—	—	—	(1,589,225)	(1,589,225)	—	—	—	—	—	(1,589,225)
Other comprehensive income (loss)	=	=	=	=	<u>15,491</u>	<u>15,491</u>	<u>(157,442)</u>	<u>(101,163)</u>	—	<u>(258,605)</u>	=	<u>(243,114)</u>
Total comprehensive income (loss)	=	=	=	=	<u>(1,573,734)</u>	<u>(1,573,734)</u>	<u>(157,442)</u>	<u>(101,163)</u>	=	<u>(258,605)</u>	=	<u>(1,832,339)</u>

Appropriation  
and  
distribution of  
retained  
earnings (Note  
2):

Legal reserve	—	—	51,951	—	(51,951)	—	—	—	—	—	—	—	—
Common shares cash dividend	—	—	—	—	(459,581)	(459,581)	—	—	—	—	—	—	(459,581)
Capital surplus cash dividend declared	—	(402,133)	—	—	—	—	—	—	—	—	—	—	(402,133)
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees	—	4,382	—	—	—	—	—	—	—	—	—	—	4,382
Difference of	—	1,323	—	—	—	—	—	—	(3,087)	(3,087)	—	—	(1,764)



equity  
accounted  
investees  
Proceeds from  
sales of  
subsidiaries'  
equity to  
non-controllig

invest	=	<u>603,220</u>	=	=	=	=	=	=	=	=	=	<u>603,220</u>
<b>Balance at</b>												
<b>December 31,</b>	<u>5,800,31</u>		<u>311,57</u>	<u>513,30</u>			<u>(1,617,512</u>		<u>(2,812,520</u>	<u>(169,861</u>		
<b>2016</b>	\$ <u>2</u>	<u>18,821,483</u>	<u>9</u>	<u>2</u>	<u>(1,565,754)</u>	<u>(740,873)</u>	<u>)</u>	<u>(1,188,654)</u>	<u>(6,354)</u>	<u>)</u>		<u>20,898,541</u>

Note: Remuneration for 2016 and Jaunary 1 to December 31, 2015 of NT\$0 and NT\$11,000,000 for directors and of NT\$0 and NT\$58,372,000 for employees have been deducted from comprehensive profit and loss table.

**Parent-Company-Only Statements of Cash Flows**  
**Years ended December 31, 2016 and 2015 (expressed in thousands of New Taiwan dollars)**

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
<b>Income (loss) before tax</b>	\$ (1,592,884)	669,092
<b>Adjustments :</b>		
Adjustments for:		
Depreciation	1,036,737	894,326
Amortization	—	17,785
Provision for (reversal of) allowance for doubtful accounts	(565)	(114)
Interest expenses	66,422	65,172
Interest income	(11,166)	(6,128)
Dividend income	(13,841)	(15,724)
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees	4,382	12,303
Share of profit or loss of subsidiaries and associates accounted for using equity method	(170,432)	(1,083,387)
Loss from disposal and write-off of property, plant and equipment	5,730	4,297
Loss on non-financial asset impairment	—	192,377
Gain(loss) from financial assets	452,661	57,826
Gain(loss) from non-financial assets	21,268	134,551
Provision for (reversal of) inventory obsolescence and devaluation loss	142,367	32,182
Expense with no effect on cash flow	1,492	4,518
Total adjustments to reconcile income (loss) before tax	<u>1,535,055</u>	<u>117,607</u>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Financial assets designated as at fair value through profit or loss	—	—
Notes and accounts receivable (including related parties)	1,274,882	(964,657)

Inventories	(267,157)	(592,150)
Prepayments for materials	416,609	534,050
Other current assets	62,862	2,868
Other financial assets	(462)	223
Total changes in operating assets	1,486,734	(1,019,666)
Changes in operating liabilities:		
Notes and accounts payable (including related parties)	(293,868)	620,442
Provision	—	—
Revenue received in advance for sales	(89,342)	(638,920)
Accrued pension liabilities	(18,636)	261
Accrued expenses and other current liabilities	(78,639)	(20,197)
Total changes in operating liabilities	(480,485)	(38,414)
Total changes in operating assets and liabilities	1,006,249	(1,058,080)
Total adjustments	2,541,304	(940,473)
Cash inflow (outflow) generated from operations	948,420	(271,381)
Interest received	9,766	6,063
Dividend received	13,841	15,724
Interest paid	(65,975)	(66,600)
Income taxes paid	(115,035)	—
<b>Net cash outflows used in operating activities</b>	<b>791,017</b>	<b>(316,194)</b>

<b>2016</b>	<b>2015</b>
-------------	-------------

**Cash flows from investing activities:**

Acquisition of loan to related party	\$ (292,969)	(179,675)
Acquisition of financial assets available for sale	(280,000)	—
Acquisition of financial assets carried at cost	(9,000)	(2,305)
Acquisition of equity-accounted investees	(296,000)	(799,373)
Acquisition of subsidiaries (excluding cash obtained)	—	—
Acquisition of property, plant and equipment	(1,476,316)	(1,887,495)
Disposal of property, plant and equipment	36,897	8,723
Dividends from equity-accounted investees	1,231,465	1,429,442
Increase in restricted certificate of deposit	15,615	21,733
Decrease in refundable deposits	1,545	2,544
Refund from capital reduction of subsidiaries	—	—

<b>Net cash used in investing activities</b>	<u>1,068,763</u>	<u>(1,406,406)</u>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in other payables to related parties	—	—
Increase in short-term borrowings	610,000	400,000
Increase in long-term loans payable	750,000	1,599,000
Repayment of long-term loans payable	(624,587)	(3,467,746)
Payments of cash dividends	(861,714)	(1,044,058)
Stock option for employees	—	—
Proceeds from sales of subsidiaries' equity to non-controlling interest	1,704,569	4,223,828
Treasury stock acquired	—	(169,861)
<b>Net cash flows from financing activities</b>	<u>1,578,268</u>	<u>1,541,163</u>
Net decrease in cash and cash equivalents	1,300,522	(181,163)
Cash and cash equivalents at beginning of year	<u>1,279,123</u>	<u>1,460,560</u>
Cash and cash equivalents at end of year	<u><b>\$ 2,579,645</b></u>	<u><b>1,279,123</b></u>

**Sino-American Silicon Products Inc.**

Notes to Individual financial report

Stock  
code: 5483

**Sino-American Silicon Products  
Inc.  
Individual financial report**

**December 31, 2016 and 2015  
(Independent Auditor's Report enclose**

Company address: No. 8. Industrial East Road 2, Hsinchu  
Science Park, Taiwan, R.O.C.  
Tel.: (03) 577-2233

## **Independent Auditors' Report**

To the Board of Directors of Sino-American Silicon Products Inc.,

### **Opinion**

We have audited the financial statements of Sino-American Silicon Products inc. ("the Company"), which comprise the balance sheets as of December 31, 2016 and 2015 and January 1, 2015, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015 and January 1, 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015 and January 1, 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, inclusive of the report from other auditors, is sufficient and appropriate to provide a basis for our opinion.

### **Other Matter**

Among the inclusion of the Company's investment accounted for using the equity method, audit on the financial report of Crystalwise Technology was not conducted by us but by other accountants. Therefore, the opinion we provided for the standalone financial report about the recognition amount from Crystalwise Technology's financial report was based on the audit report of other accountant. The investment amounts using equity method by Crystalwise Technology as at December 31, 2016 and 2015 respectively were 4% and 5% of the total asset. The loss of affiliated enterprises using equity method from January 1 to December 31, 2016 and 2015 was 21% of loss before tax and (59)% of profit before tax respectively.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### **4. Inventory valuation**

Please refer to note 4(7) “Inventories”, note 5(1) “Inventory valuation” and note 6(3) of the consolidated financial statements.

##### **Description of key audit matter:**

The Company sells and manufactures solar silicon wafers, solar cells and power generation business. The market demand and prices of its related products fluctuated due to factors as governments’ subsidy policy and anti-dumping that may resulted in risks of high inventory cost over net realization value. Thus we considered it as one of the important matters regarding its standalone financial report.

##### **How the matter was addressed in our audit:**

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding of inventory valuation policies and assessing whether those policies are applied consistently to inventory valuation; testing the accuracy of inventory aging report; analyzing the change of inventory items aged over two years; and selecting samples for testing and inspecting the source of inventory net realizable value information used in valuation purposely to assess for reasonableness.

#### **5. Realty, factories and equipment valuation**

Please refer to note 4(13) “Non-financial asset valuation” and note 5(2) of the consolidated financial statements.

##### **Description of key audit matter:**

The product prices of the Company continued to drop due to market factors and green power policy changes from governments. Thus we considered it important to estimate the loss on their realty, factories and equipment. The loss evaluation on asset included cash generation unit distinction, evaluation method determination, crucial consumption selection and receivable amount calculation etc. that required subjective judgments of the management level. Thus we consider it as an important matter for auditing.

##### **How the matter was addressed in our audit:**

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding and testing of the important assumptions such as valuation model, future cash flow forecast, service life and weighted average cost of capital taken by the authorities including the expected product income, costs and expenses etc., evaluating of the accuracy of the authorities in the past; analyzing the outcome sensitivity; also indentifying through inquiring related procedures if there is any matter affecting the outcome of loss testing after the financial information is reported.

#### **6. Impairment on investment accounted for using the equity method**

Please refer to note 4(9) “Invest subsidiary”, note 6(7) “Investment adopting equity method”

and note 6(8) changes to all equity of its subsidiary.

**Description of key audit matter:**

The Company holds investment using the equity method – 60.20% shareholding of its subsidiary (GlobalWafers Co., Ltd.) which takes 32% of the Company's total asset. We consider it one of the important matter for auditing.

**How the matter was addressed in our audit:**

In relation to the key audit matter above, we have performed certain key audit procedures that included auditing the comprehensive profit and loss of the investment toward its subsidiary according to the shareholding ratio; confirming the number of the share held; discussing and understanding with the management level about important valuations on its subsidiary so as to indentify the reasonableness of accounting if the revenue recognition of the subsidiary is dealt in proper period by inventory valuation and business combination; reviewing the adequacy of the financial information disclosed by the management level.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

7. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
8. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
9. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
10. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
11. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Taipei, Taiwan (Republic of China)

March 23, 2017

**Sino-American Silicon Products Inc.**  
**Parent-Company-Only Statements of Financial Position**  
**December 31, 2016 and 2015 (expressed in thousands of New Taiwan dollars)**

	<b>December 31, 2016</b>		<b>December 31, 2015</b>	
<b>Assets</b>				
<b>Current assets:</b>		%		%
Cash and cash equivalents	\$ 2,579,645	9	1,279,123	4
Notes and trade receivable, net	488,815	2	1,289,888	4
Accounts receivable from related parties	1,181,941	4	1,362,216	4
Inventories, net	2,006,867	7	1,995,196	6
Prepayments for materials	484,203	2	439,566	1
Other current assets	<u>131,742</u>	-	<u>194,142</u>	1
	<u>6,873,213</u>	24	<u>6,560,131</u>	20
<b>Non-current assets:</b>				
Available-for-sale financial assets – non-current	661,280	2	840,130	3
	281,400	1		
Financial assets carried at cost – non-current	368,141	1	811,802	2
Investments accounted for using equity method	13,244,929	44	15,159,801	47
Property, plant and equipment, net	7,114,781	24	7,282,061	23
Intangible assets	—	—	—	—
Deferred income tax assets	210,876	1	263,473	
Other financial assets – non-current	24,636	—	41,796	—
Long-term prepayments for materials	<u>827,887</u>	3	<u>1,310,401</u>	4
	<u>22,733,930</u>	76	<u>25,709,464</u>	80
<b>Total Assets</b>	<b>\$ <u>29,607,143</u></b>	<b>100</b>	<b><u>32,269,595</u></b>	<b>100</b>

	<b>December 31, 2016</b>		<b>December 31, 2015</b>	
<b>Liabilities and Stockholders' Equity</b>				
<b>Current liabilities:</b>		%		%
Short-term borrowings	\$ 1,760,000	6	1,150,000	3

Notes and accounts payable	1,376,761	4	1,337,461	4
Payables to related parties	6,441	-	339,609	1
Payroll and bonus payable	267,900	1	233,436	1
Other current liabilities	386,521	1	1,052,910	3
Revenue received in advance for sales	318,136	1	268,439	1
Provision – current	—	—	119,519	—
Current portion of long-term loans payable	748,011	3	65,587	—
	<u>4,863,770</u>	<u>15</u>	<u>4,447,442</u>	<u>13</u>
<b>Non-current liabilities:</b>				
Long-term loans payable	1,990,000	7	2,545,519	8
Liability reserve	427,000	1	427,000	1
Other liabilities – non-current	22,580	-	318,515	1
Revenue received in advance for sales – non-current	1,405,324	5	1,544,363	5
	<u>3,844,832</u>	<u>13</u>	<u>4,835,397</u>	<u>15</u>
<b>Total Liabilities</b>	<u>8,708,602</u>	<u>28</u>	<u>9,282,839</u>	<u>28</u>
<b>Equity:</b>				
Common stock	5,800,312	20	5,800,312	18
Capital surplus	18,821,483	64	18,614,691	58
Retained earnings:				
Legal reserve	311,579	1	259,628	1
Special reserve	513,302	2	513,302	2
Unappropriated earnings				
(accumulated deficits)	(1,565,754)	(5)	519,512	2
	<u>(740,873)</u>	<u>(2)</u>	<u>1,292,442</u>	<u>5</u>
Other equity	(2,812,520)	(9)	(2,550,828)	(8)
<b>Tresury Stock</b>	<u>(169,861)</u>	<u>(1)</u>	<u>(169,861)</u>	<u>(1)</u>
<b>Total Equity</b>	<u>20,898,541</u>	<u>72</u>	<u>22,986,756</u>	<u>72</u>
<b>Total Liabilities and Equity</b>	<u>\$ 29,607,143</u>	<u>100</u>	<u>32,269,595</u>	<u>100</u>

**Parent-Company-Only Statements of Profit or Loss and Other Comprehensive Income**

**Years ended December 31, 2016 and 2015 (expressed in thousands of New Taiwan dollars, except for earnings per share)**

	<u>2016</u>	%	<u>2015</u>
			11,915,968
<b>Operating revenues:</b>	\$ 10,390,005	100	11,936,762
<b>Cost of goods sold</b>	<u>11,298,216</u>	<u>109</u>	<u>2</u>
<b>Gross loss</b>	<u>(908,211)</u>	<u>(9)</u>	<u>(20,794)</u>
<b>Operating expenses:</b>			
Selling	53,714	—	49,275
General and administrative	106,182	1	147,319
Research and development	<u>207,175</u>	<u>2</u>	<u>211,867</u>
<b>Total operating profit</b>	<u>367,071</u>	<u>3</u>	<u>408,461</u>
	<u>(1,275,282)</u>	<u>(12)</u>	<u>(429,255)</u>
<b>Operating loss</b>	<u>)</u>	<u>)</u>	<u>(429,255)</u>
<b>Non-operating income and (expenses):</b>			
Other income	25,007	—	21,852
Other gains and (losses)	(446,619)	(4)	58,280
Interest expense	(66,422)	(1)	(65,172)
Share of profit or loss of subsidiaries and associates accounted for using equity method	<u>170,432</u>	<u>2</u>	<u>1,083,387</u>
<b>Total non-operating income and expenses</b>	<u>(317,602)</u>	<u>(3)</u>	<u>1,098,347</u>
<b>Profit from continuing operations before income tax</b>	<u>(1,592,884)</u>	<u>(15)</u>	<u>669,092</u>
<b>Income tax expense</b>	<u>(3,659)</u>	<u>-</u>	<u>134,255</u>
	<u>(1,589,225)</u>	<u>(15)</u>	<u>534,837</u>
<b>Net profit (loss)</b>	<u>)</u>	<u>)</u>	<u>(13,752)</u>
<b>Other comprehensive income (loss) :</b>			
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>			
Actuarial loss on defined benefit plans	(3,905)	—	(1,573)
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	<u>19,396</u>	<u>—</u>	<u>(13,752)</u>

<b>Total of items that may be reclassified subsequently to profit or loss:</b>	<u>15,491</u>	—	<u>(15,325)</u>
<b>Income tax related to components of other comprehensive income that will be reclassified to profit or loss</b>			
Exchange differences on translation of foreign operations	(76,933)	—	26,536
Unrealized gain (loss) on available-for-sale financial assets	(178,850)	(2)	(18,507)
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	(15,900)	—	112,444
Income tax related to other comprehensive income	<u>13,078</u>	—	<u>(4,511)</u>
<b>Total other comprehensive income (loss), net of income tax</b>	<u>(243,114)</u>	(2)	<u>100,637</u>
	<b>(1,832,339)</b>	<b>(17)</b>	
<b>Total comprehensive income (loss)</b>	<u>\$ <b>( )</b></u>	<u><b>( )</b></u>	<u><b>635,474</b></u>
<b>Earnings per share (in dollars)</b>			
Basic earnings (loss) per share	<u>\$ <b>(2.77)</b></u>		<u><b>0.93</b></u>
Diluted earnings (loss) per share	<u><u>                    </u></u>		<u><u>\$ <b>0.92</b></u></u>

**Parent-Company-Only Statements of Changes in Stockholders' Equity**  
**Years ended December 31, 2016 and 2015 (expressed in thousands of New Taiwan dollars)**

		Retained Earnings					Other Equity					
		Common	Capital	Legal	Special	Unappropriate	Exchange	Unrealized			Treasury	Total
		stock	surplus	reserve	reserve	d earnings	difference	gain (loss) on			stock	equity
						(accumulated	s on	available-for-sal	other	Total		
		5,800,31	16,995,50	220,40	160,33	deficit)	translation	assets				
Balance at January 1, 2015	\$	2	9	9	0	392,191	1,669,610	(993,913)	)	1	=	9
Net profit for the period		—	—	—	—	534,837	—	—	—	—	—	534,837
Other comprehensive profit and loss		=	=	=	=	(15,325)	209,540	(93,578)	=	115,962	=	100,637
Total comprehensive profit and loss		=	=	=	=	519,512	209,540	(93,578)	=	115,962	=	635,747
Appropriation and distribution of retained earnings (Note1)												
Legal reserve		—	—	39,219	—	(39,219)	—	—	—	—	—	—
Special reserve used to offset company losses		—	—	—	352,972	(352,972)	—	—	—	—	—	—
Treasure stock acquired		—	—	—	—	—	—	—	—	—	(169,861)	(169,861)
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees		—	12,303	—	—	—	—	—	—	—	—	12,303
Capital surplus cash dividend declared		—	(1,044,058)	—	—	—	—	—	—	—	—	(1,044,058)
Subscription of subsidiary capital income		—	873,509	—	—	—	—	—	—	—	—	873,509
Difference of equity accounted investees		—	11,403	—	—	—	—	—	3,722	3,722	—	15,125
Proceeds from sales of subsidiaries' equity to non-controllig invest		=	1,766,025	=	=	=	=	=	=	=	=	1,766,025
Balance at December 31, 2015		5,800,31	18,614,69	259,62	513,30	519,512	(1,460,070	(1,087,491)	(3,267	(2,550,828	(169,861	22,986,75

	<u>2</u>	<u>1</u>	<u>8</u>	<u>2</u>			<u>1</u>		<u>1</u>	<u>1</u>	<u>1</u>	<u>6</u>
					(1,589,225)	)						(1,589,225)
Net profit for the period	—	—	—	—	(1,589,225)	)	—	—	—	—	—	)
Other comprehensive income (loss)	=	=	=	=	<u>15,491</u>	<u>15,491</u>	(157,442)	(101,163)	—	(258,605)	=	(243,114)
Total comprehensive income (loss)	=	=	=	=	(1,573,734)	)	(157,442)	(101,163)	=	(258,605)	=	)
Appropriation and distribution of retained earnings (Note 2):												
Legal reserve	—	—	51,951	—	(51,951)	—	—	—	—	—	—	—
Common shares cash dividend	—	—	—	—	(459,581)	(459,581)	—	—	—	—	—	(459,581)
Capital surplus cash dividend declared	—	(402,133)	—	—	—	—	—	—	—	—	—	(402,133)
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees	—	4,382	—	—	—	—	—	—	—	—	—	4,382
Difference of equity accounted investees	—	1,323	—	—	—	—	—	—	(3,087)	(3,087)	—	(1,764)
Proceeds from sales of subsidiaries' equity to non-controlling invest	=	<u>603,220</u>	=	=	=	=	=	=	=	=	=	<u>603,220</u>
	<u>5,800,31</u>	<u>18,821,48</u>	<u>311,57</u>	<u>513,30</u>			<u>(1,617,512)</u>		<u>(6,354)</u>	<u>(2,812,520)</u>	<u>(169,861)</u>	<u>20,898,54</u>
Balance at December 31, 2016	\$ <u>2</u>	<u>3</u>	<u>9</u>	<u>2</u>	(1,565,754)	(740,873)	)	(1,188,654)	)	)	)	<u>1</u>

Note: Remuneration for 2016 and January 1 to December 31, 2015 of NT\$0 and NT\$11,000,000 for directors and of NT\$0 and NT\$58,372,000 for employees have been deducted from comprehensive profit and loss table.



**Parent-Company-Only Statements of Cash Flows**  
**Years ended December 31, 2016 and 2015 (expressed in thousands of New Taiwan dollars)**

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
<b>Income (loss) before tax</b>	\$ (1,592,884)	669,092
<b>Adjustments :</b>		
Adjustments for:		
Depreciation	1,036,737	894,326
Amortization	—	17,785
Provision for (reversal of) allowance for doubtful accounts	(565)	(114)
Interest expenses	66,422	65,172
Interest income	(11,166)	(6,128)
Dividend income	(13,841)	(15,724)
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees	4,382	12,303
Share of profit or loss of subsidiaries and associates accounted for using equity method	(170,432)	(1,083,387)
Loss from disposal and write-off of property, plant and equipment	5,730	4,297
Loss on non-financial asset impairment	—	192,377
Gain(loss) from financial assets	452,661	57,826
Gain(loss) from non-financial assets	21,268	134,551
Provision for (reversal of) inventory obsolescence and devaluation loss	142,367	32,182
Expense with no effect on cash flow	1,492	4,518
Total adjustments to reconcile income (loss) before tax	<u>1,535,055</u>	<u>117,607</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets designated as at fair value through profit or loss	—	—
Notes and accounts receivable (including related parties)	1,274,882	(964,657)
Inventories	(267,157)	(592,150)
Prepayments for materials	416,609	534,050

Other current assets	62,862	2,868
Other financial assets	(462)	223
Total changes in operating assets	1,486,734	(1,019,666)
Changes in operating liabilities:		
Notes and accounts payable (including related parties)	(293,868)	620,442
Provision	—	—
Revenue received in advance for sales	(89,342)	(638,920)
Accrued pension liabilities	(18,636)	261
Accrued expenses and other current liabilities	(78,639)	(20,197)
Total changes in operating liabilities	(480,485)	(38,414)
Total changes in operating assets and liabilities	1,006,249	(1,058,080)
Total adjustments	2,541,304	(940,473)
Cash inflow (outflow) generated from operations	948,420	(271,381)
Interest received	9,766	6,063
Dividend received	13,841	15,724
Interest paid	(65,975)	(66,600)
Income taxes paid	(115,035)	—
<b>Net cash outflows used in operating activities</b>	<b>791,017</b>	<b>(316,194)</b>

	<b>2016</b>	<b>2015</b>
<b>Cash flows from investing activities:</b>		
Acquisition of loan to related party	\$ (292,969)	(179,675)
Acquisition of financial assets available for sale	(280,000)	—
Acquisition of financial assets carried at cost	(9,000)	(2,305)
Acquisition of equity-accounted investees	(296,000)	(799,373)
Acquisition of subsidiaries (excluding cash obtained)	—	—
Acquisition of property, plant and equipment	(1,476,316)	(1,887,495)
Disposal of property, plant and equipment	36,897	8,723
Dividends from equity-accounted investees	1,231,465	1,429,442
Increase in restricted certificate of deposit	15,615	21,733
Decrease in refundable deposits	1,545	2,544
Refund from capital reduction of subsidiaries	—	—
<b>Net cash used in investing activities</b>	<b>1,068,763</b>	<b>(1,406,406)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in other payables to related parties	—	—
Increase in short-term borrowings	610,000	400,000

Increase in long-term loans payable	750,000	1,599,000
Repayment of long-term loans payable	(624,587)	(3,467,746)
Payments of cash dividends	(861,714)	(1,044,058)
Stock option for employees	—	—
Proceeds from sales of subsidiaries' equity to non-controlling interest	1,704,569	4,223,828
Treasury stock acquired	—	(169,861)
<b>Net cash flows from financing activities</b>	<u>1,578,268</u>	<u>1,541,163</u>
Net decrease in cash and cash equivalents	1,300,522	(181,163)
Cash and cash equivalents at beginning of year	<u>1,279,123</u>	<u>1,460,560</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,579,645</u></u>	<u><u>1,279,123</u></u>

**Sino-American Silicon Products Inc.**  
Notes to Individual financial report  
**December 31, 2016 and 2015**  
**(Expressed in NT\$ Thousand unless otherwise stated)**

I. Company background

Sino-American Silicon Products Inc. (hereinafter referred to as “the Company”) was incorporated in accordance with the Company Act of the Republic of China in January 1981; also, the Chunan Branch was established in June 2005 at No. 8, Industrial East Road 2, Hsinchu Science Park, Taiwan, R.O.C. for the R&D, design, production and sale of semi-conductor silicon materials and components, rheostats, optical and communications wafer materials; and also the related technology, management consulting business, and technical services of the photo-voltaic power system generation and installation.

The Company’s stocks have been traded publicly at the Taipei Exchange (TPEX) since March 2001.

For the purpose of reorganization and professional division of work and enhancing competitiveness and business performance, a resolution was reached at the shareholders’ meeting on June 17, 2011 to have the semiconductor business and sapphire business (including the related assets, liabilities and business operations), by the way of incorporation and partition, transferred to the Company’s 100% owned subsidiaries, Globalwafers Co., Ltd. (hereinafter referred to as “Globalwafers”) and Sino Sapphire CO., LTD (hereinafter referred to as “Sino Sapphire”) with the base date of partition scheduled on October 1, 2011. The Company based on the net book value of the semi-conductor business shall pay a price of NT\$38.50 per share for acquiring 180,000 thousand shares at NT\$10 par value of Globalwafers; also, based on the sapphire business net assets shall pay a price of NT\$40 per share for acquiring 40,000 thousand shares at NT\$10 par value of Sino Sapphire.

A resolution merging with Sunrise Global Solar Energy Co., Ltd. (hereinafter referred to as “Sunrise Global”) was reached by the Board of Directors on August 12, 2013 with the base date of merger scheduled on August 1, 2014. The Company is the surviving corporation and Sunrise Global will be discontinued after the merger.

Stocks of Globalwafers have been approved for public trading at Taipei Exchange (TPEX) since September 25, 2015, and at the same date have stopped being traded at ESM.

II. Financial statements approval date and procedure

The individual financial reports were approved for release by the Board of Directors on March 23, 2017.

III. Impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) but not yet effective

(I) According to Ruling No.1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs, which were issued by the International Accounting Standards

Board (IASB) before January 1, 2016 and were endorsed for adoption by the FSC, in preparing their financial statements effective January 1, 2017. The related new standards, interpretations and amendments are as follows:

<b>Newly released / modified / amended standards and interpretations</b>	<b>The effective date announced by the IASB</b>
IFRS 10, IFRS 12, and IAS 28 Amendment "Investment entity: Application of the exceptions for consolidated financial statements"	2016.1.1
IFRS 11 Amendment "Acquisition of joint operation equity"	2016.1.1
IFRSs No. 14, "Regulatory Deferral Accounts"	2016.1.1
IFRSs No. 15, "Revenue from customer contracts"	2018.1.1
Amendments to IAS 1 "Disclosure Initiative"	2016.1.1
IAS 16 and IAS 38 Amendment "Introduction of acceptable depreciation and amortization methods"	2016.1.1
IAS 16 and IAS 41 Amendment "Production Plants"	2016.1.1
Amendment to IAS 19, "Defined benefit plan employee contributions"	2014.7.1
IAS 27 Amendment "Equity Method of individual financial statements"	2016.1.1
Amendment to IAS 36, "Disclosure of the recoverable amount of non-financial assets"	2014.1.1
IAS 39 Amendment "Replacement of derivatives contracts and continuity of hedge accounting"	2014.1.1
Annual improvements in the periods of 2010-2012 and 2011-2013	2014.7.1
Annual improvements of IFRS in 2012-2014	2016.1.1
IFRIC 21, 'Levies'	2014.1.1

The Company had assessed and concluded that the adoption of the IFRSs would not cause any significant changes to the individual financial statements.

(II) Newly released or amended standards and interpretations not yet endorsed by the FSC  
Shown below are the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that listed entities should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group's financial statements were issued, the

FSC has yet to announce the effective dates of the other IFRSs.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 <i>"Financial Instruments"</i>	January 1 2018
Amendments to IFRS 10 and IAS 28 <i>"Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"</i>	Effective date to be determined by IASB
IFRS 15 <i>"Revenue from Contracts with Customers"</i>	January 1 2018
IFRS 16 <i>"Leases"</i>	January 1 2019
Amendment to IFRS 2 <i>"Clarifications of Classification and Measurement of Share-based Payment Transactions"</i>	January 1 2018
Amendment to IFRS 15 <i>"Clarifications of IFRS 15"</i>	January 1 2018
Amendment to IAS 7 <i>"Disclosure Initiative"</i>	January 1 2017
Amendment to IAS 12 <i>"Recognition of Deferred Tax Assets for Unrealized Losses"</i>	January 1 2017
Amendments to IFRS 4 <i>"Insurance Contracts"</i> ( <i>"Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"</i> )	January 1 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
IFRS 12 <i>"Disclosure of Interests in Other Entities"</i>	January 1 2017
IFRS 1 <i>"First-time Adoption of International Financial Reporting Standards"</i> and IAS 28 <i>"Investments in Associates and Joint Ventures"</i>	January 1 2018
IFRIC 22 <i>"Foreign Currency Transactions and Advance Consideration"</i>	January 1 2018
Amendments to IAS 40 <i>Investment Property</i>	January 1 2018

The company of the standards listed below are relevant:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 <i>"Revenue from Contracts with Customers"</i>	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 <i>"Revenue,"</i> IAS 11 <i>"Construction Contracts,"</i> and a number of revenue-related interpretations.  Final amendments issued on April

Issuance / Release Dates	Standards or Interpretations	Content of amendment
		12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	<p>The new standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows:</p> <p>Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income.</p> <p>Impairment: The expected credit loss model is used to evaluate impairment.</p> <p>Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.</p>
January	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
13, 2016		<p>For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the consolidated statement of financial position. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term.</p> <p>A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</p>

The results of the company assessment disclosed no significant impact on its financial position and operating results of the initial adoption of IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments".

The Group is evaluating the impact on its financial position and operating results of the initial adoption of IFRS 16 "Leases". The results thereof will be disclosed when such assessment is completed.



#### IV. Accounting policy summary

The significant accounting policies adopted in the individual financial statements are summarized as follows. Except of Note 3, the following accounting policies are applicable to the individual financial reports throughout the reporting period.

(I) Compliance statement

The individual financial report is prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by the Securities Issuers.”

(II) Basis of preparation

1. Measurement basis

The individual financial report has been prepared in accordance with the historical cost basis, except for the following important items in the balance sheet:

- (1) Financial instruments measured at the fair value through profit and loss;
- (2) Defined benefit liabilities are measured in accordance with the net amount of the pension fund assets minus the present value of the defined benefit obligations and the impact of the maximum amount referred to in Note 4 (17).

2. Functional currency and presentation currency

Each entity of the Company operates in accordance with the local functional currency of the primary economic environment. The individual financial report is based on the Company’s functional currency, the NT Dollar. All financial information expressed in NT Dollar is based on the monetary unit of NT\$ Thousand.

(III) Foreign currency

1. Foreign currency transactions

Foreign currency transactions are converted into the functional currency in accordance with the exchange rates prevailing on the transaction date. Foreign currency monetary items are converted into functional currency in accordance with the exchange rates prevailing on the reporting date (referred to herein after as reporting date). The exchange profit and loss is the difference between the amortized cost denominated in the functional currency at the beginning of the year with the current effective interest adjusted and paid, and the amortized cost denominated in foreign currency translated in accordance with the exchange rate of the reporting date.

The non-monetary item in the foreign currency measured at fair value is converted into the functional currency in accordance with the exchange rate on the date the fair value is measured. The non-monetary item in the foreign currency measured at historical cost is translated in accordance with the exchange rate on the trading day.

Except for when the exchange profit and loss of the available-for-sale financial assets is recognized in other profits or losses, the exchange profit and loss of the remaining assets is recognized in the profits or losses.

2. Foreign operation institutions

The assets and liabilities of foreign operation institutions, including goodwill and fair value adjustments arising on acquisitions, are converted into the functional currency according to the exchange rate on the reporting date. Incomes and expenses are denominated in accordance with the current average exchange rate and with the exchange differences recognized in other comprehensive income.

(IV) Standards for classifying assets and liabilities as current and noncurrent

Assets in line with one of the following conditions are classified as current assets. Assets other than current assets are classified as non-current assets.

1. Assets that are expected to be realized in the Company's regular operating cycle or with the intent to be sold or consumed;
2. Assets that are held for trading purposes;
3. Assets that are expected to be realized within twelve months after the balance sheet date;
4. Cash or cash equivalent, excluding the assets that are to be used for exchange or liquidating debts within twelve months after the balance sheet date or restrictive assets.

Liabilities in line with one of the following conditions are classified as current liabilities. Liabilities other than current liabilities are classified as non-current liabilities:

1. Liabilities that are expected to be settled within the regular operating cycle of the Company;
2. Assets that are held for trading purposes;
3. Expected to be settled within twelve months after the balance sheet date;
4. The liabilities for which the Company cannot unconditionally have the settlement deadline postponed for at least twelve months after the balance sheet date; No impact will be on classification of liabilities with terms determined by the counterparties that lead to settlement of the liabilities by issuing of equity instruments.

(V) Cash and cash equivalent

Cash includes cash on hand and demand deposits. Cash equivalent refers to short-term and highly liquidating investments that can be converted to a known amount of cash with very little risk of changes in value. Time deposits that meet the definition referred to above and that are for the purpose of fulfilling short-term cash commitments rather than investment or other purposes are reported as cash equivalent.

(VI) Financial instrument

Financial assets and financial liabilities are recognized when the Company becomes a party to the financial instrument contract.

1. Financial assets

The Company's financial assets are classified as: accounts receivable and financial assets measured at cost 、available-for-sale financial assets

(1) Available-for-sale financial assets

Such financial assets are designated as available-for-sale or specific category non-derivative financial assets. The financial assets are measured at fair value plus attributed transaction cost at initial recognition; the financial assets are subsequently measured at fair value. Except for impairment losses and dividend income recognized as gains or losses, the change in carrying amount is recognized in other comprehensive income and accumulated in the available-for-sale financial assets unrealized gain or loss under the shareholder's equity. When derecognizing, the cumulative amount of gain or loss under the shareholder's equity is reclassified under gains or losses; it is also reported in the "non-operating income and expense" account. The regular trade of financial assets is handled in accordance with the accounting treatment at the trading date.

If such financial assets are equity investments "without quoted market price and reliably measured fair value," it is measured at cost net of impairment loss and reported at "financial assets carried at cost" account.

Dividend income from equity investment is recognized on the date (usually on the ex-dividend date) when the Company is entitled to collect dividends; also, it is reported in the "non-operating income and expense" account.

(2) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

(3) Accounts receivables

Accounts receivables are financial assets without a quoted market price and with fixed or determinable payment amount, including notes and accounts receivables and other receivables. It is measured at fair value plus directly attributed transaction cost at initial recognition. It is measured subsequently in accordance with the effective interest rate method and the amortized cost net of impairment loss, except for short-term receivables with insignificant interest recognized. The regular trade of financial assets is handled in accordance with the accounting treatment at the trading date.

Interest income is reported in the “non-operating income and expense” account.

(4) Impairment of financial assets

The impairment of the financial assets that is not measured at fair value through profit or loss should be assessed on each reporting date. When there is objective evidence indicating that the estimated future cash flow of the asset is with a loss due to one or more events that occurred after the financial assets recognized initially, the impairment of the financial assets has already occurred.

Objective evidence of impairment of financial assets includes significant financial difficulty of the issuer, the default (such as a delay in interest or principal payments or non-payment), and the disappearance of the active market for the financial assets due to financial difficulties. In addition, the significant or permanent fair value decline in the cost of the available-for-sale equity investments is also an objective evidence of impairment.

If the accounts receivable assessed individually is without any identified impairment, it should be jointly assessed for impairment. Objective evidence of impairment for a receivable portfolio could include the Company’s experience in collection, the increase in delayed payments to the receivable portfolio exceeding the average credit period and the national or regional economic conditions and changes related to receivable arrears.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate.

The recognized impairment loss of the financial assets measured at cost is the difference between the book value of the assets and the present value of the estimated future cash flow discounted at the market return rate on similar assets. Such impairment loss cannot be reversed in the subsequent period.

The impairment loss of all financial assets is directly deducted from the carrying amount of the financial asset; however, the carrying amount of

accounts receivables is adjusted down with the allowance account. The accounts receivable that is determined to be uncollectible is written off against the allowance account. The amount recovered that was previously written off is credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in the gains or losses.

If there is impairment loss of the available-for-sale financial instruments, the accumulated profits or losses previously recognized as other comprehensive income shall be reclassified as gain or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

The impairment loss of the available-for-sale financial instruments that was previously recognized in the gain or loss shall not be reversed and recognized in the gain or loss. The recovery in fair value of any impairment loss previously recognized is recognized in other comprehensive income and accumulated in the “other equity” account.

The loss and recovery of the bad debt of accounts receivable are reported as marketing expenses. The impairment loss and recovery of financial assets other than accounts receivables are reported in the “non-operating income and expense” account.

#### (5) De-recognition of financial assets

The Company’s financial asset is derecognized only when the contractual rights to the cash flows from the assets are terminated or when the financial assets have been transferred and nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to other companies.

When having one single financial asset derecognized entirely, the difference between the carrying amount and the considerations received or receivable plus the amount recognized in the other comprehensive income and accumulated in the “Other equity-available-for-sale financial assets unrealized gain or loss” is recognized in the gains or losses and reported in the “non-operating income and expense” account.

When not having one single financial asset derecognized entirely, the Company has the carrying amount of the financial assets amortized to the continuing operation and discontinuing operation according to the respective fair value on the transfer day. The difference between the carrying value amortized to the derecognized operation and the considerations received

from the derecognized operation plus the accumulated gain or loss recognized in the other comprehensive income amortized to the derecognized operation is recognized in the gain or loss and reported in the “non-operating income and expense” account. The accumulated gain or loss recognized in the other comprehensive income is amortized to the continuously recognized operation and derecognized operation according to the respective fair value.

## 2. Financial liabilities and equity instruments

### (1) Classification of liabilities or equities

The Company’s debt and equity instruments issued are classified as financial liabilities or equity in accordance with the definition of the contractual agreements.

Equity instrument refers to any contract underlying the Company’s residual equity after deducting all liabilities from the assets. The equity instrument issued by the Company is recognized at the acquisition price net of the direct issue cost.

Interest and loss or gain related to financial liabilities are recognized in the gain or loss and reported in the “non-operating income and expense” account.

### (2) Other financial liabilities

Financial liabilities include long-term and short-term loans, accounts payable and other payables. Financial liabilities are measured at fair value plus directly attributable transaction cost when initially recognized; subsequently, they are valued in accordance with the effective interest rate method and measured at the amortized cost. The interest expense that is not capitalized as an asset cost is reported in the “non-operating income and expense” account.

### (3) Derecognition of financial liabilities

The Company’s financial liability is derecognized when the contractual obligations have been performed, cancelled or expired.

When derecognizing financial liability, the difference between the carrying value and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in the gains or losses and reported in the “non-operating income and expense” account.

### (4) Financial assets and liabilities offsetting

Financial assets and financial liabilities are offset and recognized in the balance sheet only when the Company has a legal right to do so and has the intention to have them cleared at a net value or has the asset cashed and the liability settled at the same time.

## (VII) Inventory

Inventory is valued at a lower level than the cost or net of the realizable value. Costs include the acquisition, production or processing and other costs necessary to make the product available at the designed location and status, which is calculated in accordance with the weighted average method. The cost of finished goods and work-in-process goods includes the manufacturing cost that is amortized proportionately to the regular productivity.

The net realizable value is calculated in accordance with the estimated selling price in the course of business net of the costs needed to complete the project and the selling expenses.

(VIII) Investment in the affiliated companies

Affiliated companies refer to companies over which the Company has significant influence but without control or jointly control over their financial and operating policies.

The Company has accounted for equities in affiliated companies under the equity method. Under the equity method, investment is initially recognized at cost. Investment cost includes transaction cost. The carrying amount of investment in the affiliated companies includes the goodwill recognized at the initial investment and net of any accumulated impairment losses.

The individual financial report covers the period from the date the significant influence obtained to the date the significant influence ceased, after completing the adjustments consistent with the Company's accounting policy; recognize the gains or losses and the other comprehensive income of the investment in the affiliated companies proportionately to the equity ratio. When the affiliated companies have equity changes not related to gains or losses and other comprehensive income, as well as not impacting the Company shareholding in the affiliated companies, the Company shall recognize the equity changes attributed as paid in capital in proportion to the equity ratio of its investment in the affiliated companies.

The unrealized gains and losses arising from the transactions conducted between the Company and the affiliated companies have been offset within the scope of the investment in the invested company. The written-off unrealized loss is the same as the written-off unrealized gain but is limited to the circumstances when the impairment evidence is not available.

When the loss of the affiliated company to be recognized by the Company proportionately to the shareholdings is equal to or exceeds the Company's equity in the affiliated company, stop recognizing any loss. Recognize additional losses and related liabilities only upon the occurrence of a legal obligation, presumption of obligation or within the amount paid on behalf of the invested company.

In circumstance that the affiliated company issues new shares and the Company does not subscribe proportionately to its equity shares in the affiliated company, and

that leads to changes of shareholdings and the increase/decrease of net equity of the investment, such increases or decreases shall be adjusted to the paid in capital under the equity method; if paid in capital is insufficient to cover such adjustment, the remaining balance shall be debited to the retained earnings. However if the Company does not subscribe proportionately to its equity shares in the affiliated company and that leads to the decrease of net equity of such investment, any amount associated with this affiliated company recognized previously as comprehensive income shall be reclassified proportionately to the decrease, and accounted with on the basis that the affiliated company is required to adopt and comply with the demands to dispose relevant assets or liabilities directly.

(IX) Investment in subsidiaries

The Company has the wholly-owned invested company valued under the equity method when preparing the individual financial reports. Under the equity method, the amortization amount attributable to the shareholders of the parent company from the gains or losses and other comprehensive income of the individual financial statements and the consolidated financial statements is the same. Moreover, the equity attributable to the shareholders of the parent company from the shareholder's equity of the individual financial report and the consolidated financial reports is the same.

If the change in the Company's ownership of the subsidiary does not lead to loss of control over the subsidiary, it is treated as an equity transaction conducted within the shareholders.

(X) Property, plant and equipment

1. Recognition and measurement

Recognition and measurement of property, plant and equipment is based on the cost model. The cost of property, plant and equipment is net of the accumulated depreciation and accumulated impairment. Cost includes expenditures directly attributable to assets acquisition. The cost of self-built assets includes raw materials and direct labor, direct attributable cost to have the assets available for the intended use, demolition, removal and restoration of the location, and the loan cost in line with the requirements of assets capitalization. Software acquired for integrating the function of the related equipment is capitalized as part of the equipment.

When property, plant, and equipment contains different components and the cost is relatively significant to the total cost of the item; also, when the use of a different depreciation rate or method is more appropriate, it should be treated as a separate item of the property, plant and equipment (a major component).

The gain and loss from the disposal of property, plant and equipment is determined according to the difference between the carrying amount and the



disposal amount of the property, plant and equipment; also, it is recognized in the “non-operating income and expense” account at a net amount.

2. Subsequent cost

When the expected future economic benefits resulting from the subsequent expenditure for property, plant and equipment is likely to flow into the Company and when the amount can be measured reliably, the expenditure is recognized as part of the carrying amount of the item; also, the carrying amount of the replacement is derecognized. The routine repair and maintenance cost of property, plant and equipment is recognized in the gain or loss when it is incurred.

3. Depreciation

Depreciation is calculated in accordance with the asset cost net of residual value, the estimated years of useful life and the straight-line method. Each significant part of the asset is assessed. If the useful life of an integral part of the asset is different from the other parts of the asset, the unique part should be depreciated separately. The appropriated depreciation is recognized in the profit or loss.

No depreciation on land.

Estimated useful lives for the current and comparative periods are as follows:

- (1) Real estate and building: 2~50 years
- (2) Machinery equipment: 2~25 years
- (3) Other equipment: 2~25 years
- (4) The major parts of housing and construction include plant building, electrical power engineering and wastewater treatment systems, whose depreciation are appropriated in accordance with the useful life of 25~50 years, 25 years and 4~23 years, respectively.

Depreciation methods, years of useful life and residual values are reviewed at the end of each financial year. If the expected value is different from the estimates, it should be adjusted properly when necessary; also, the difference should be processed as changes in accounting estimates.

(XI) Lease

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance lease are initially recognized as assets of the Company at the fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Subsequently they are treated in a way pursuant to accounting policy relating to these assets.

The minimum finance lease payments should be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge should be

allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability.

All other leases are classified as operating leases. The assets under such leases are not recognized in the Company's balance sheet.

For operating leases (not including service charges such as insurance and maintenance fees), the lease payments are recognized as expenses in the income statement over the lease term on a straight-line basis.

## (XII) Intangible Assets

### 1. Research and Development

Research phase refers to the activity conducted to acquire and understand new scientific or technological knowledge; also, the related expense is recognized in the gain or loss when they are incurred.

The expenditure accrued in the development phase that meets all the following conditions simultaneously is recognized as an intangible asset; however, if it does not meet all the following conditions, it is to be recognized in the gain or loss when incurred:

- (1) Technical feasibility of the intangible asset is completed and the intangible asset is ready for use or sale.
- (2) The intention is to have the intangible asset completed for use or sale.
- (3) The Company is capable of using or selling the intangible asset.
- (4) The intangible asset is likely to generate future economic benefits.
- (5) The Company has sufficient technical, financial and other resources to complete this development and to use or sell the intangible asset.
- (6) The expenditure attributable to the intangible asset development can be reliably measured.

### 2. Other Intangible Assets

The other intangible assets acquired by the Company are measured at cost, net of accumulated amortization and accumulated impairment.

### 3. Subsequent Expenditures

Subsequent expenditures that can help increase the future economic benefits of the specific assets can be capitalized. All other expenses are recognized in the profit or loss when incurred.

### 4. Amortization

The amortizable amount is the asset cost, net of residual value.

Except for goodwill, intangible assets from the state available for use is amortized in accordance with the straight-line method over the estimated useful life of 2~5 years; also, the amortization amount is recognized in the gains or losses.

Review the residual value, amortization period and amortization method for

intangible assets at the end of the fiscal year and with the changes, if any, treated as a change in accounting estimates.

(XIII) Impairment of non-financial assets

The Company assesses the non-financial assets other than inventories and deferred income tax assets for any impairment on each reporting date; also, estimates the recoverable amount of the assets with an impairment evidence. If the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit that the asset belongs to in order to assess the impairment.

The recoverable amount is the fair value of an individual asset or the cash-generating unit net of the sale cost or value in use, whichever is higher. If the recoverable amount of an individual asset or cash-generating unit is lower than the book value, the book value of the individual asset or cash-generating unit is adjusted down to the recoverable amount with the impairment loss recognized. Impairment loss is recognized immediately in the gain or loss of the current period.

For the purposes of impairment testing, goodwill acquired through business mergers shall be amortized to the Company's cash-generating units (or cash generating group) that are expecting to be benefited from the synergy of the merger. If the recoverable amount of the cash-generating unit is less than its book value, the impairment loss is applied to offset the carrying amount of the goodwill amortized to the cash-generating unit and then to the book value of the assets within the unit proportionately. The goodwill impairment loss recognized cannot be reversed in the subsequent period.

The Company reevaluates on each reporting day whether there are indications that the impairment loss of non-financial assets other than goodwill recognized previously have been eliminated or reduced. If the estimates used to determine the recoverable amount are changed, the impairment loss should be reversed in order to increase the carrying amount of the individual asset or cash-generating unit to the recoverable amount; however, it shall not exceed the carrying amount of the individual assets or cash-generating unit in the prior period before recognizing the impairment loss but after appropriating the depreciation or amortization.

(XIV) Provision

The recognition of provision is due to the present obligations of the Company resulting from a past event that may require the outflow of economic resources in the future to settle the obligation and the amount of the obligation can be estimated reliably. Provision is discounted at the pre-tax discount rate that reflects the monetary

time value and debt specific risk assessed by the market. The amortization of the discount is recognized as an interest expense.

Onerous contracts: When the Company expects to fulfill a contractual obligation that is inevitably with a cost exceeding the expected economic benefits from the contract, the liability reserve for the onerous contract should be recognized. Such provision is measured at lower than the estimated cost of the terminated contract and the present value of the estimated net cost of the continued contract; also, recognize all impairment losses related to such assets before recognizing the liability reserve of the onerous contract.

(XV) Treasury Stock

The Company has the outstanding stock shares repurchased and classified as "Treasury stock" for the considerations (including the amount attributable to the cost) net of taxes paid and debited to the equity. If the disposal price of the treasury stock is higher than the carrying amount, the difference is classified as "Capital surplus – Treasury stock;" if the disposal price is lower than the carrying amount, the difference is applied to write off the capital surplus - treasury stock in the same category or debited to retained earnings, if there is an insufficient amount. The carrying amount of treasury stock is calculated in accordance with the weighted average method and is calculated separately in accordance with the reason for repurchase.

When the treasury stock is cancelled, the "Capital surplus – Treasury stock" is debited proportionately to the equity shares, the difference is applied to write off the capital surplus - treasury stock in the same category or debited to retained earnings, if there is an insufficient amount. If the carrying amount is lower than the sum of par value and the premium from issuing stocks, it shall be debited to the additional paid in capital from transactions of the treasury stock in the same category

(XVI) Revenue Recognition

1. Product Sales

The income from product sales in the course of business is measured at the fair value of the considerations received or receivable net of sales return, sales discount and volume discount. Income is recognized when persuasive evidence is available (usually a signed purchase order from the customers), the significant risks of ownership and considerations are transferred to the buyer, the proceeds are likely to be collected, the associated cost and possible sales returns can be estimated reliably, do not continue to be involved in instrument management and the amount of income can be measured reliably. If a discount is likely to occur and the discount amount can be measured reliably, it is credited to the income when the sale is recognized.

The timing for the transfer of risks and considerations depends on the individual term

of the sales contracts. For international shipments, transfer occurs upon loading the goods onto the relevant carrier at the client's designated location. Generally for such products, the customer has no right of return. For domestic shipments, risks and rewards normally transferred when goods are delivered and accepted by customers.

## 2. Labor Services

The Company provides labor services to its customers. Labor service income is recognized in accordance with the percentage of completion on the reporting date.

## 3. Government Grants

Government grant obtained is recognized in each period in pursuant to the costs expected to incur in proportion to total costs in the "non-operating income and expense" account.

# (XVII) Employee Benefits

## 1. Defined Contribution Plan

The appropriation obligation under the defined contribution plan is recognized as employee benefits expense in the gain or loss account throughout the employee's service period.

## 2. Defined Benefit Plan

The retirement benefit plan that is not a defined contribution plan is classified as a defined benefit plan. The Company's net obligation under the defined benefit plan is based on the present value of the future benefit amount earned by employees currently or previously in each benefit plan. Any unrecognized prior service cost and the fair value of the plan assets are deducted. The discount rate is based on the interest rate of the market yield rate of government bonds on the reporting date that is with a similar due date as the Company's net obligation deadline and denominated in the same currency as the expected benefit payment.

Enterprise's net obligation is calculated annually by a qualified actuary in accordance with the project unit credit method. When the calculation is favorable to the Company, recognized assets are limited to the present value of the total economic benefit to be derived from the unrecognized prior service cost, the refund to be collected from the plan, or the reduction of the appropriation for the plan. The minimum fund appropriation needed for any plan of the Company should be considered when calculating the present value of the economic benefits. If a benefit can be realized in the plan period or upon the liquidation of the plan liability, it is with economic benefit to the Company.

For the plan benefit that is improved due to the service provided by the employees, it is to be recognized in the gain or loss in accordance with the straight line method over the average vested period. If the benefits will be vested

immediately, the expense related to the vested benefit should be immediately recognized in the gains or losses.

Remeasurements of the net defined benefit liability or asset, comprising: (1) actuarial gains and losses; (2) return on plan assets, but not including net interest on the net defined benefit liability or asset; and (3) changes in the effect of the asset ceiling, but not including the net interest on the net defined benefit liability or asset,

The remeasured net defined benefit liabilities are recognized in other comprehensive income. The Company had chosen to have amounts recognized in other comprehensive income to be transferred to the retained earnings.

The Company, when experiencing curtailment or settlement, should recognize the curtailment or settlement gain or loss of the defined benefit plan. Curtailment or settlement gains and losses include any changes in the fair value of any plan assets and changes in the present value of defined benefit obligations.

### 3. Short-term employee benefit

Short-term employee benefit obligation is measured on an undiscounted basis; also, it is recognized as an expense when the related service is provided.

For the short-term cash bonus or the amount expected to be paid of a bonus plan, if the Company has a legal obligation or presumption of obligation due to the services rendered by employees and the obligation can be estimated reliably, the amount is recognized as a liability.

## (XVIII) Share-based payment transactions

For the share-based rewards to be paid to the employees, compensation cost should be recognized with the respective equity increased in accordance with the fair value on the payment date when the employees are entitled to the rewards, unconditionally. The compensation cost to be recognized is adjusted in accordance with the rewards in line with the expected conditions of service. The final compensation cost recognized is based on the rewards in line with the expected conditions of service on the payment date. The conditions of the share-based payment awards are already reflected in the recognition of the grant-date fair value and there's no need to make adjustment on the difference between the expected and realized amount.

## (XIX) Income Tax

Income tax expense includes current and deferred income tax. Except for the items related to a business merger or recognized directly in the equity or other comprehensive income, the current income tax and deferred income tax should be recognized in the profits or losses.

Current income tax includes the estimated income tax payable or tax refund receivable of the current taxable income (loss) calculated in accordance with the statutory tax rate on the reporting date or the substantive legislation tax rate and any adjustments to the tax payable of the previous years.

Deferred income tax is measured and recognized in accordance with the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax basis. The temporary differences arising in the following circumstances will be without any recognized deferred income tax:

1. Assets or liabilities that are originally recognized in a transaction not attributable to a business merger; also, the transaction does not affect accounting profit and taxable income (loss).
2. It resulted from investing in subsidiaries and joint ventures; also, it probably won't be reversed in the foreseeable future.
3. Initial recognition of goodwill.

Deferred income tax is measured in accordance with the tax rate in the expected asset realization or liability settlement period; also, it is based on the statutory tax rate or substantive legislation tax rate on the reporting date.

The Company will have financial assets and financial liabilities offset when complying with the following conditions:

1. With statutory right to offset financial assets and financial liabilities; and
2. Deferred income tax assets and deferred income tax liabilities are related to one of the taxable entities that are levied by the same tax authorities:
  - (1) The same taxable entity; or
  - (2) Different taxable entities, but each entity intends to settle current income tax liabilities and assets at a net amount or to realize assets and liquidate liability simultaneously when a significant amount of deferred tax assets is expected to be recovered and deferred tax liabilities are expected to be settled in each future period.

The unapplied tax losses and unapplied tax credits carried forward and deductible temporary differences are recognized as deferred income tax assets within the range of probable future taxable income available for use. The deferred income tax assets should be reassessed on each reporting date and should be adjusted down within the range of improbable income tax benefit.

(XX) Earnings per share

The Company illustrated the basic and diluted earnings per share attributable to the common stock shareholders. Basic earnings per share is calculated by having the gain or loss attributable to the Company's common stock shareholders divided by the weighted average number of the outstanding common stock shares during the period. Diluted earnings per share is calculated by having the gain and loss attributable to the

Company's common stock shareholders and the weighted average number of common stock shares outstanding adjusted for the effects of all potential diluted common stock shares, respectively. The Company's potential diluted common stock includes stock options of employees and stock dividends of employees that are yet to be resolved in the shareholders' meeting.

(XXI) Segment Information

The Company has the segment information disclosed in the consolidated financial statements; therefore, it will not be disclosed in the individual financial statements.

**V. Critical accounting judgements, estimates and assumption on uncertainty**

The management, when preparing the individual financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", must make judgments, estimates and assumptions which will affect the adopted accounting policies and the assets, liabilities, revenues and expense amounts. The actual results could differ from those estimates.

The management is to continue examining the estimates and underlying assumptions. Changes in accounting estimates are to be recognized during the affected and future periods.

For the uncertainty of assumption and estimation, relevant information of adjustment possibly caused in the next fiscal year is as follows:

(1) Inventory evaluation

Since the inventory needs to be evaluated for the lower value of the cost and the net realizable value, the Company evaluates that at the report date, due to the normal depreciation of inventory, obsolete or value without market sales value, and offsets the inventory cost to the net realizable value. Such inventory evaluation mainly uses the product demand within a certain future period of time as the evaluation basis, major fluctuation may be generated due to the rapid change of the industry. For inventory evaluation listing status, please refer to Note 6(3) for details.

(2) Impairment evaluation of real property, facility and equipment

The Company needs to rely on subjective judgment and base them on assets usage patterns and industrial characteristics throughout the asset impairment evaluation process to determine the independent cash flow of a specific group of assets, service life of assets and potential profit and loss; also, the changes in estimates arising from any changes in the economic situation or the Company's strategies that are likely to cause significant impairments or have the recognized impairment loss reversed.

The Company's accounting policies and disclosure has adopted the fair value to measure its financial, non-financial assets and liabilities. The Company's financial and accounting departments are responsible for the independent verification of fair value with independent information source on the valuation result to match the market status, as well



as to ensure that the sources are independent, reliable, and consistent with other resources and represent executable prices. The Company also regularly calibrates the valuation model and conducts retroactive test updating input values desired by the valuation model and making necessary adjustments to fair value to ensure the results of the valuation are reasonable.

While measuring its assets and liabilities, the Company uses the observable market input values as much as possible. The definition of each fair value category is pursuant to the input values used by valuation techniques summarized as follows:

- (1) Level I: The market quoted price of the identical assets or liabilities (unadjusted).
- (2) Level II: In addition to the quoted prices included in Level I, the input parameters of the asset or liability can be observed directly (i.e. prices) or indirectly (i.e. derived from prices).
- (3) Level III: Input parameters of the asset or liability are not based on the observable market data (non-observable parameters)

In case there is movement between fair value hierarchy, the Company should recognize such movement at the reporting date. For relevant information regarding assumptions of fair value measurement adopted please see note 6(27) Financial instruments as follows.

## VI. Important accounting items

### (I) Cash and cash equivalents

	<u>2016.12.31</u>	<u>2015.12.31</u>
Cash	\$ 466	522
Bank deposits	2,482,449	1,278,601
Deposit account		-
	96,750	
Cash and cash equivalents in the Statement of Cash Flow	\$ 2,759,645	1,279,123

Please refer to Note 6 (27) for the disclosure of the Company's interest rate risk and sensitivity analysis of financial assets and liabilities.

### (II) Notes receivable and accounts receivable - net

	<u>2016.12.31</u>	<u>2015.12.31</u>
Notes receivable	\$ 10,952	56,352
Accounts receivable	527,183	1,282,778
Less: Allowance for bad debt	(48,679)	(49,244)
Less: Allowance for return and discount	(641)	(2)
	\$ 488,815	1,289,888

Changes in allowance for bad debt of accounts receivable on 2016 and 2015 are as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Balance as of January 1	\$ 49,244	49,358
Assumed by the merger	-	-
Impairment loss recognized (reversed)	(565)	(114)
Balance as of December 31	\$ 48,679	49,244
Individual assessment of impairments	\$ 48,679	48,888
Collective assessment of impairments	-	356
	\$ 48,679	49,244

The aging analysis of the Company's overdue receivable (including related parties)

on the reporting date is as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Overdue 31-60 days	\$ 466,394	1,287,850
Overdue 61-90 days	22,421	2,037
	\$ 488,815	1,289,887

The Company's average credit period for product sales is 0-180 days. Allowance for bad debt of accounts receivable is for recording bad debt expense and primarily based on the historical payment behavior, the customer's credit rating and the aging information to estimate the uncollectible amount.

As of December 31, 2016 and 2015, the Company's accounts receivable had not been provided as collateral.

(III) Inventories

	<u>2016.12.31</u>	<u>2015.12.31</u>
Finished goods	\$ 57,656	2,940
Finished goods	807,196	941,911
Work-in-process goods	165,879	133,174
Raw materials	894,988	784,623
Supplies	81,148	132,548
	\$ 2,006,867	1,995,196

Component of operating cost are as follows:

	<u>2016</u>	<u>2015</u>
Cost of goods sold	\$10,954,436	11,557,286
Appropriation for inventory loss in valuation	142,367	32,182
Unamortized fixed manufacturing expense	180,145	169,755
Loss on purchase agreement	21,268	177,539
	\$11,298,216	11,936,762

As of December 31, 2016 and 2015, the Company's inventories had not been provided as collateral.

(IV) Available- for-sale financial assets – non-current

	<u>2016.12.31</u>	<u>2015.12.31</u>
Stock of listed company - Solartech	\$ 445,155	598,453
OTC Stocks – Actron Technology Corporation	216,125	241,677
	\$ 661,280	840,130

As of December 31, 2016 and 2015, the Company's financial assets referred to above had not been provided as collateral.

The impact of the changes in equity securities price (two-period analysis is on the same basis and assumes that other factors remain constant) in the reporting date or other comprehensive income:

<u>Securities price on the reporting date</u>	<u>2016</u>	<u>2015</u>
Up 10%	\$ 66,128	84,013
Down 10%	\$ (66,128)	(84,013)

(V) Held-to-maturity investment

	<u>105.12.31</u>	<u>104.12.31</u>
Corporate bonds of CWT	\$ 281,400	-

The Company bought the 5-year privately placed corporate bond issued by its affiliate Crystalwise Technology Inc. at the face value of 280,000,000 in October 2016 with the intention to sell before the maturity. The interest of the bond is calculated half-yearly with the coupon rate and effective yield both at 2%.

As of 31 December 2016, there's no pledge of the held-to-maturity investments of the Company.

(VI) Financial valued at the cost - noncurrent

	<u>2016.12.31</u>	<u>2015.12.31</u>
Equity investment	\$ 900,138	891,138
The cumulative amount of impairment loss recognized	(531,997)	(79,336)
	\$ 368,141	811,802

Cumulative impairments changes are as follows:

	<u>2016</u>	<u>2015</u>
Cumulative impairments - beginning	\$ 79,336	21,510
Provided this period	452,661	57,826
Cumulative impairments - ending	\$ 531,997	79,336

The Company's stock investment referred to above is measured at cost, net of impairment loss on the reporting date. As the fair value is with a broad range of reasonable estimation and the probability of estimations cannot be reasonably assessed, the management of the Company believes that the fair value cannot be reliably measured.

Powertec Energy Corp. (hereafter referred to as "Powertec") has executed the capital increase plan at the third quarter of 2016 for the purpose of increasing the capital and future operation development fund demand. The company makes a discount investment lower than the share par value for an amount 9,000 thousand dollars, and it is estimated that the account value of Powertec listed under impairment loss is calculated to be 452,661 thousand dollars.

As of December 31, 2016 and 2015, the Company's financial assets referred to above had not been provided as collateral.

(VII) Investment under the equity method

The Company's investments under the equity method on the reporting date were as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Subsidiary	\$12,054,859	13,552,934
Affiliated companies	1,190,070	1,606,867
	\$13,244,929	15,159,801

1. Subsidiary

Please refer to the 2016 and 2015 consolidated financial statements.

2. Affiliated companies

Names of affiliated companies	Relations hip with the Company	Main locati on/ count ry	Percentage of equity ownership and voting rights	
			2016.12.31	2015.12.31

		regist ered in		
Crystalwise Technology Inc (referred as Crystalwise)	Mainly engages in the manufacturing and trading of optoelectronic wafers and substrate material.	Taiwan	40.07 %	40.38 %
Accu Solar Corporation	Solar cell module manufacturing	Taiwan	24.70 %	24.70 %

1. The fair values of affiliated companies that are significant to the Company and listed in the ESM are as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Crystalwise Technology Inc.	\$ 684,725	1,022,421

Company, with adjustments made to include amounts reported by the affiliated companies in their individual financial reports prepared in a way pursuant to IFRSs so as to reflect adjustment on the fair value when acquiring shares of the affiliated companies and the adjustment of difference in accounting policy.

#### Financial Summary of Crystalwise

	<u>2016.12.31</u>	<u>2015.12.31</u>
Current Assets	\$ 1,781,013	2,164,611
Non-Current Assets	3,044,566	3,408,441

Current Liabilities		(1,478,402)
	(1,450,579)	
Non-Current Liabilities	(1,147,528)	(1,037,647)
Net Assets	2,22	3,057,003
	7,482	
Net assets attributed to non-controlling equities		30,061
Net assets attributed to owner of the investee company	2,22	3,026,942
	7,482	

	2016	2015
Revenues	\$ 1,583,288	2,181,316
Operating profit (loss) from continuing operations	(707,929)	(747,235)
Income and loss from discontinued operations	(17,750)	(136,772)
Other comprehensive income	(79,649)	(17,568)
Total comprehensive income	\$ (805,328)	(901,575)
Total comprehensive income attributed to non-controlling equities	\$ 4,124	11,598
Total comprehensive income attributed to owner of the investee company	\$ (809,452)	(913,173)

	2016	2015
The Company's shares of net assets of the affiliated company at beginning of period	\$ 1,487,561	1,892,671
New investment in this period and changes of net equity for affiliated companies under the equity method	(2,553)	5,521
Total revenues attributed to the Company this period	(340,210)	(394,214)
Total Comprehensive Income attributed to the Company this period	(31,979)	(6,235)
Dividends received from affiliated companies in this period	-	(10,182)

The Company's shares of net assets of the affiliated companies at end of period	\$ 1,112,819	1,487,561
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- (2) For affiliated companies under equity method that are not material to the Company, the financial information is summarized as follows. Such financial information represents the amount contained in the Company's individual financial reports:

	<u>2016.12.31</u>	<u>2015.12.31</u>
The summarized carrying amounts of equity of the immaterial affiliated companies at end of period	\$ 77,251	119,306
Total Net income attributable the company :		
Net loss	\$ (42,055)	-

As of December 31, 2016 and 2015, the Company's investments under the equity method had not been provided as collateral.

#### (VIII) Changes of equities in the subsidiaries

##### 1. Disposing part of the subsidiary's equity without losing control

The Company has disposed 6.05% shares of Globalwafers Co., Ltd in October, 2016 for NT\$1,704,569 thousand.

The Company has disposed 1%, 14% and 1% shares of Globalwafers Co., Ltd in January, September and October for NT\$271,505 thousand, NT\$3,786,771 thousand and NT\$165,552 thousand respectively.

The impact of the changes in the Company's shareholding of Globalwafers Co., Ltd. is as follows:

	<u>2016</u>	<u>2015</u>
The consideration received from the non-controlling equity	\$ 1,704,569	4,223,828
The carrying amount of the non-controlling equity disposed of	(1,101,349)	(2,457,803)
Capital surplus - the spread between the equity buying/selling price and carrying amount	\$ 603,220	1,766,025



Non-controlling equity had decuting the under writing fee.

2. The Company did not subscribe in proportion to the shares issued by the capital increase of the subsidiaries. However, this did not result in its losing of control.

The subsidiary of the Company Globalwafers Co., Ltd. had its capital increased in 2015, and all shares issued were subscribed by the non-controlling interests for NT\$3,291,676 thousand. The Company did not subscribed the shares in proportionate to its shareholdings. The change of the Company's equity investment in Globalwafers Co., Ltd. has the following impact on the equity interests attributed to the parent company:

	<u>2015</u>
The increase in equity the Company is entitled to after the issuance of new shares by the subsidiary.	\$ 873,509
Capital surplus - From share of changes in equities of subsidiaries	\$ 873,509

(VIII) Property, plant and equipment

1. Changes in the cost, depreciation and impairment loss of the Company's real estate, property, plant and equipment are as follows:

	<u>Land</u>	<u>Build ing</u>	<u>Mach inery equip ment</u>	<u>Other equip ment</u>	<u>Const ructic n in progr ess and quar antine d equip ment</u>	<u>Total</u>
Cost:						
Balance – 1/1/2016	\$ 2,931,901 2,380	8,452,522	1,431,517	1,697,648	14,515,968	
Additions	91,902	15,623	220,295	58,344	440,016	826,180
Disposal	-	(291)	(263,898)	(38,674)	(135)	(302,998)

Reclass		311,608	17,251	1,363,884	(118,261)	(1,444,476)	130,006
Balance 12/31/2016	-	\$ 405,890	2,964,484	9,772,803	1,332,926	693,053	15,169,156
Balance – 1/1/2015		\$ 2,380	3,025,269	8,445,555	1,519,989	265,941	13,259,134
Acquired through business merger	-		16,733	162,190	40,697	1,967,115	2,186,735
Additions	-		(111,753)	(662,112)	(146,190)	-	(920,055)
Disposal	-		1,652	506,889	17,021	(535,408)	(9,846)
Balance 12/31/2015	-	\$ 2,380	2,931,901	8,452,522	1,431,517	1,697,648	14,515,968
Depreciation and impairment loss:							
Balance – 1/1/2016	\$ -		1,052,970	5,772,428	408,509	-	7,233,907
Current depreciation	-		150,511	791,968	94,258	-	1,036,737
Disposal	-		(291)	(237,017)	(27,175)	-	(264,483)
Reclassification	-		-	4,462	43,752	-	48,214
Balance 12/31/2016	-	\$ -	1,203,190	6,331,841	519,344	-	8,054,375
Balance – 1/1/2015	\$ -		989,528	5,806,359	464,071	-	7,259,958
Assumed through business merger	-		175,798	621,861	96,667	-	894,326
Current depreciation	-		(111,753)	(652,871)	(145,907)	-	(910,531)
Disposal	-		(603)	(2,921)	(6,322)	-	(9,846)
Balance 12/31/2015	-	\$ -	1,052,970	5,772,428	408,509	-	7,233,907
Carrying amount:							
December 31, 2016		\$ 405,890	1,761,294	3,440,962	813,582	693,053	7,114,781
January 1, 2015		\$ 2,380	2,035,741	2,639,196	1,055,918	265,941	5,999,176
December 31, 2015		\$	1,878,931	2,680,094	1,023,008	1,697,648	7,282,061

2,380

## 2. Guarantees

Please refer to Note 8 for the guarantees of long-term loan as of December 31, 2016 and 2015 in details.

### (X) Intangible assets

Costs and amortization of intangible assets of the Company are listed as follows:

	<u>2015</u>
Balance as of January 1	\$ 17,785
Current amortization	(17,785)
Balance as of December 31	\$ -

The amortization expense of intangible assets was reported in the operating cost of the statement of comprehensive income for the amount of NT\$17,785 thousand in 2016.

As of December 31, 2016, the Company's intangible assets had not been provided as collateral.

### (XI) Short-term loans

	<u>2016.12.31</u>	<u>2015.12.31</u>
Unsecured bank loans	\$ 1,760,000	1,150,000
The unutilized credit amount	\$ 1,925,860	1,380,720
Loan interest rate interval at end of period	0.9%~1.1%	1.13%~1.15%

### (XII) Long-term loan

Details, terms and conditions of the Company's long-term loan are as follows:

	<u>2016.12.31</u>	
	Interest rate interval at end of	Amount
<u>Currency</u>	<u>Contract period</u>	<u>t</u>

			<u>period</u>		\$
Unsecured bank loans	N	1.17%~1			2,140,000
	TD	.28%	104.07~107.12		
Secured bank loans	N				598,011
	TD	1.68%	102.05~107.05		
					2,738,011
Less: current portion of long-term liabilities					(748,011)
					\$ 1,990,000
Total					
					\$
The unutilized credit amount					1,370,000

2015.12.31

			Interest rate interval at end of <u>period</u>	<u>Contract period</u>	<u>Amount</u>
	<u>Currency</u>				
Unsecured bank loans	N	1.35%~1			\$ 1,949,000
	TD	.50%	104.02~107.09		
Secured bank loans	N				662,106
	TD	1.68%	102.05~107.05		
					2,611,106
Less: current portion of long-term liabilities					(65,587)
					\$ 2,545,519
Total					
					\$
The unutilized credit amount					1,201,000

The Company had a syndicated loan signed with the Cooperative Bank and the other five banks on May 6, 2013 for a credit line of NT\$4,000,000 thousand. According to the contract signed, the Company during the loan period must maintain a specific current ratio, debt ratio, times interest earned ratio and net value on the consolidated financial statements of the audited year and on the consolidated financial statements of the second quarter reviewed.

If some of the Company's financial ratios failed to meet the requirements referred to above, an application for exemption should be filed with the banks according to the contract with the non-conformity and root causes and the corrective action to be taken stated for the review of the syndicate banks. For any breach of contract confirmed, the banks may require repayment for the utilized loans.

According to the provisions of the contract referred to above, if the actual credit amount used by the Company in the expected implementation date is less than the amount expected, the Company is to have the commitment fee for the outstanding credit line calculated and paid in accordance with 0.1%~0.2% of the annual fee. As of December 31, 2016, the Company had such credit line utilized in accordance with the contractual schedule without the need to pay for the commitment fee.

The Company's 2016 consolidated financial report is in compliance with the financial ratio limits. Part of the financial covenants breached as per the 2016 consolidated financial reports of the Company. The breach of financial covenants is deemed as breach of loan contract and the loan will be reclassified as long-term debt due in one year. Nevertheless, the Company has applied the waiver of the breach of financial covenants to the Agent Bank afterwards.

Please refer to Note 8 for the Company's assets pledged as collateral for bank loans.

(XIII) Finance lease liability

The Company had part of the property, plant and equipment acquired through a financial lease with the finance lease liability payable booked in the "Other current liability" and "Other non-current liability" as follows:

	2015.12.31		
	Future minimum lease payment	Interest	The present value of the minimum lease payment
Within 1 year	\$ 19,492	11,197	8,295

1~5 years	77,968	41,355	36,613
Over 5 years	301,234	57,413	243,821
	\$ 398,694	109,965	288,729

The Company had merged the financial lease liability of Sunrise Global Solar Energy Co., Ltd. on August 1, 2014, which was for the land lease contract signed with the Industries Development Bureau MOEA in October 2007 to lease the Li-Kong Section of the Lize Industrial Park. According to the contract signed, upon expiration of the lease, the Company may have the rent that was paid throughout the lease period converted as payment for buying the land according to the market price at the time of signing the contract.

According to the resolution of the Board of Directors' meeting of the Company on March 22, 2016, to cope with the future development needs of the Company, application for the purchase of a portion of the land of the Li-Ze Industrial District is submitted to the Industrial Development Bureau, MOEA, and relevant transfer and registration procedures have been completed in October 2016, of which the land price is of the amount of 403,510 thousand dollars. Please refer to Note 6(9) for details thereof.

(XIV) Provision

Changes in the Company's provisions are as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Onerous contract	\$ 427,000	427,000

The onerous contract appropriated by the Company was for the long-term silicone material supply contract signed with the supplier. The parties to the contract have agreed to have the supply volume and price fulfilled completely from January 1, 2006 to December 31, 2019. The Company is to pre-pay the supplier for the materials purchased with payment by installments that are non-refundable; also, the transaction is irrevocable. The materials supplier guarantees to have the agreed quantities of silicon materials supplied to the Company. In response to the current market price volatility, the Company has the contractual price re-negotiated with some of the silicon suppliers or negotiated with some of the suppliers for the current purchase price in accordance with market conditions in order to adjust the average purchase price. However, the long-term purchase of the raw materials contract price adjustment is still under negotiations with some of the suppliers; therefore, the Company has the relevant liability reserve appropriated. Please refer to Note 9 for the notice of the silicone suppliers requesting the Company to perform the contract.

(IV) Operating lease

Lease of lessee

The rent payment of the irrevocable operating leases is as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Within 1 year	\$ 31,410	31,320
1~5 years	121,722	121,795
Over 5 years	111,929	142,359
	\$ 265,061	295,474

The operating lease expense reported in gain or loss was NT\$36,007 thousand and NT\$23,002 thousand in 2016 and 2015, respectively.

The company leased the plant from Globalwafers Co., Ltd. The lease term is from October 1, 2011 to December 31, 2016 for an annual rent of NT\$816 thousand.

The base of the Company's plant located in Chunan Science Park is the rental from the Administration of the Science Park for a period from March 17, 2005 to December 31, 2027. According to the contract signed, the rent is to be adjusted in accordance with the adjustments of the land price announced by the government and for an annual rent of NT\$7,750 thousand.

(XVI) Employee benefits

1. Defined benefit plan

The present value of the Company's defined benefit obligations and the fair value of the plan assets are adjusted as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
The total present value of defined benefit obligations	\$ (48,472)	(45,676)
The fair value of plan assets	28,617	11,081
The net defined benefit liabilities	\$ (19,855)	(34,595)

The Company's defined benefit plans are appropriated to the labor pension reserve account at the Bank of Taiwan. The pension payment to each employee who is under the Labor Standards Act is calculated in accordance with the service points received for the years of service and the average salary six months prior to retirement.

(1) Plan assets composition

The pension fund appropriated by the Company in accordance with the Labor Standards Act is managed collectively by the Bureau of Labor Funds,

Ministry of Labor (hereinafter referred to as the “Bureau of Labor Funds”) According to the “Rules Governing the Income and Expense Safekeeping and Utilization of Labor Pension Fund,” the minimum earnings of the fund shall not be less than the earnings calculated at the two-year time deposit interest rate of the local bank.

The Company’s pension reserve account at the Bank of Taiwan amounted to NT\$28,617 thousand on December 31, 2016. The Labor Pension Fund asset implementation information includes fund returns rate and fund asset allocation. Please refer to the information published on the website of the Ministry of the Bureau of Labor Funds, Ministry of Labor.

(2) Changes in the present value of the defined benefit obligation

Changes in the present value of the Company’s defined benefit obligations in 2016 and 2015 are as follows:

	2016	2015
Defined benefit obligations - 1/1	\$ 45,676	42,939
Current service cost and interest	1,068	1,066
Remeasurement of net defined liabilities		
- The expected return of plan assets (excluding interest of current period)	1,904	(814)
- Actuarial gains and losses arising from changes of demographic assumptions	661	1,447
- Actuarial gains and losses arising from changes of financial assumptions	1,156	1,038
	( 1	
Benefits paid	993	-
Defined benefit obligations - 12/31	\$ 48,472	45,676

(3) Changes in the fair value of plan assets

Changes in the fair value of the Company’s defined benefit plan assets in 2016 and 2015 are as follows:

	2016	2015
Fair value of the plan assets or	\$ 11,081	10,149



January 1		
Remeasurement of net defined liabilities		
- The expected return of plan assets (excluding interest of current period)	(184)	98
Interest income	355	171
The Company's amount of appropriation	19,358	663
	(1	
Benefits paid	,993	
Fair value of the plan assets or December 31	\$ 28,617	11,081

(4) Change of limit on a defined benefit assets

The Company has no change of limit on a defined benefit plan in 2016 and 2015.

(5) The expenses recognized in the profit or loss

The Company's expenses recognized in the profit or loss in 2016 and 2015 are as follows:

	2016	2015
Current service cost	\$ 440	368
Net interests of net defined benefit liabilities	273	527
	\$ 713	895
Operating Costs	\$ 398	520
Marketing expense	54	69
General and administrative expenses	167	203
R&D expense	94	103
	\$ 713	895

(6) Remeasurement of net liabilities under defined benefit plan recognized as other comprehensive income

In 2016 and 2015, remeasurement of net defined benefit liabilities recognized by the Company as other comprehensive income is as follows:

2016	2015
------	------

Accumulated balance – 1/1	\$ (89,989)	(23,979)
Recognized currently	15,441	(1,573)
Accumulated balance – 12/31	\$ (74,548)	(25,552)

(7) Actuarial assumptions

The major actuarial assumptions used by the Company at the end of the financial reporting day are as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Discount rate	1.125%	1.375%
Future salary increases	2.000%	2.000%

The amount estimated to be appropriated for payments of the defined benefit plan within a year after the 2016 reporting date is NT\$33,749 thousand.

The weighted average duration of the defined benefit plan is 9.9 years.

(8) Sensitivity analysis

To calculate the present value of defined benefit obligation, the Company must use its discretion and assessment to determine relevant actuarial assumptions on the balance sheet date including the discount rate and future changes of salary. Any change in the actuarial assumptions is likely to materially affect the amount of the Company's defined benefit obligations.

The impact of changes on major actuarial assumptions to the present value of defined benefit obligations is as follows:

	<u>The impact to the defined benefit obligations</u>	
2016.12.31	<u>Increase</u>	<u>Decrease 0.25%</u>
	<u>0.25%</u>	
Discount rate	\$ (1,176)	1,217
Future salary increases	1,179	(1,144)
	<u>The impact to the defined benefit obligations</u>	
2015.12.31	<u>Increase</u>	<u>Decrease 0.25%</u>
	<u>0.25%</u>	
Discount rate	\$ (1,104)	1,109
Future salary increases	1,144	(1,076)

The above sensitivity analysis is to analyze the impact of one single assumption with other assumptions remaining unchanged. In practice the changes of many assumptions may be correlated. The approach used for sensitivity analysis is consistent with the calculation of net pension liabilities recorded in the balance sheet.

The approach and assumptions used to compile the sensitivity analysis is the same with that of the previous period.

## 2. Defined contribution plan

The Company's defined contribution plan complies with the Labor Pension Act. An amount equivalent to 6% of the employee's monthly wage is appropriated to the respective labor pension account with the Bureau of Labor Insurance, Ministry of Labor. According to the defined contribution plan, the Company, after appropriating a fixed amount to the Bureau of Labor Insurance, Ministry of Labor, is free from any legal or constructive obligations to make extra payments.

The Company's pension expense under the defined contribution plan was NT\$41,883 thousand and NT\$35,471 thousand in 2016 and 2015, respectively; also, the amount had been appropriated to the Bureau of Labor Insurance, Ministry of Labor.

## (XVII) Income tax

### 1. Income tax expenses

The Company's income tax expense (profit) in 2016 and 2015 is as follows:

	2016	2015
Deferred income tax expense (profit)		
Occurring during the year	\$ -	120,000
Adjustment of the income tax-current of prior period	(3,659)	(5,948)
	(3,659)	114,052
Deferred income tax expenses		
Temporary differences occurring and reversed	-	20,203
	(3,659)	20,203
Income tax expenses	\$ 134,255	9,316

The Company's income tax expense (profit) recognized under other

comprehensive income in 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Foreign exchange differences from foreign operation	\$ 13,078	(4,511)

The Company's income tax expense (profit) and net income before tax in 2016 and 2015 is adjusted as follows:

	<u>2016</u>	<u>2015</u>
Net income before tax	\$(1,592,884)	\$ 669,092
The income tax is calculated in accordance with the domestic income tax rate where the Company is located.	(270,790)	113,746
Permanent differences adjustment	232,855	(143,547)
The underestimation and overestimation of the prior period and unrecognized temporary difference	(3,659)	44,056
Income Basic Tax	37,935	120,000
Income tax expenses	\$ -	\$ 134,255

## 2. Deferred income tax assets and liabilities

(1) The items that have not been recognized as deferred income tax assets by the Company are as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Deductible temporary differences	\$ 383,597	\$ 357,317
Investment tax credits	-	445,857
	19	
Loss carryforwards	7,425	193,370
	\$ 581,022	\$ 996,544

According to the Income Tax Act, tax losses of the last ten years audited

and authorized by the tax authorities can be deducted from the net income of the year before levying the income tax. Such items are not recognized as deferred tax assets since the Company is not likely to have sufficient taxable income in the future for the use of temporary differences.

As of December 31, 2016, the deadline for the deduction of the Company's tax losses arising from the items that had not been recognized as deferred tax assets are as follows:

<u>Annual losses</u>	<u>Loss to be deducted</u>	<u>Deadline for deduction</u>
2012	\$ 1,006,335	2022Year
2016	\$ 154,998	2026Year
	\$	
	1,161,323	

(2) Recognized deferred income tax assets:

Deferred income tax assets are listed as follows:

	Recognized in the income statement	Recognized in other comprehensive income statement	Acquired through business merger	2015.12.31	Recognized in the income statement	Recognized in other comprehensive income statement	2016.12.31
Allowance for inventory loss in valuation	\$ 5,471	-	-	39,668	24,202	-	63,870
Loss deduction	79,959 (10,803)	-	-	69,196	-	-	69,196
Other	62,022 (14,871)	(4,511)	-	42,650	(24,202)	13,078	31,526
	\$ 176,228 (20,203)	(4,511)	-	151,514	-	13,078	164,592

3. Audited and approved income tax return filed

The Company's income tax returns filed have been audited and approved by the tax authorities up to 2013.

4. The Company's income tax integration is as follows

	<u>2016.12.31</u>	<u>2015.12.31</u>
The attributable year of unappropriated earnings:		

After 1998	\$(1,565,754)	519,512
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Tax credit account balance	\$ 78,487	-
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	2016 (Estimated)	2015 (Actual)
ROC resident's tax credit ratio for earnings distribution	-	-

The income tax integration amount referred to above was processed in accordance with the Tai.Chai.Shay No. 10204562810 Letter dated October 17, 2013 of the Ministry of Finance. Pursuant to Article 66-6 of the Income Tax Act, the ROC resident's tax credit ratio is reduced in half, and applicable for earning distribution starting from January 1, 2015.

(XVIII) Capital and other equity

The Company's authorized capital amounted to NT\$8,000,000 thousand with 800,000 thousand shares issued at NT\$10 par on December 31, 2016 and 2015, respectively, (all including employee stock warrants, preferred stock with stock option or corporate bonds with stock option, and NT\$200,000 thousand worth of stock shares available for subscription). The legal registration procedure for the authorized capital stock is completed. The paid in capitals are both NT\$5,800,312 thousand.

The Company's outstanding stock shares in 2016 and 2015 were adjusted as follows (expressed in thousand shares):

	Common stock	
	2016	2015
Beginning outstanding shares – 1/1	574,476	580,031
New shares issued for the merger	-	-
Employees exercising stock options	-	-
Buy back treasury stock	-	(5,555)
Ending outstanding shares – 12/31	574,476	574,476

1. Issuance of common stock

The Company participated in the global depositary receipts for NT\$610,000 thousand with cash capital increase and with 61,000 thousand shares issued, which was listed at the Luxembourg Stock Exchange on September 9, 2010 with a total of

61,000 thousand units of GDR issued at an issuance price of US\$2.9048; also, the GDR amounted to US\$177,193 thousand and each GDR underlying 1 common stock share of the Company. Such cash capital increase had already been approved by the Financial Supervisory Commission on August 13, 2010 with the FSC.certificate.far.tzi No. 0990041383 Letter issued. For this capital increase, the Company had sufficient stock shares issued and proceeds collected on September 9, 2010 for a grand total of US\$177,193 thousand and a net total of US\$174,931 thousand after deducting the underwriting fees of US\$2,262 thousand, which was equivalent to NT\$5,580,288 thousand after being translated in accordance with the closing exchange rate of the day. In addition, after deducting the related issuance cost of NT\$11,531 thousand, the premium amount of NT\$4,958,757 thousand was booked in the “Capital surplus” account.

## 2. Capital surplus

The Capital surplus balance of the Company is as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Common stock premium	\$14,832,456	15,234,589
Difference between the disposal price and book value of the subsidiary's equity	2,492,997	1,889,777
Capital surplus of long-term equity investment is recognized under the equity method	1,092,242	1,090,919
Treasury stock transactions	31,765	31,765
Employee stock options, etc.	372,023	367,641
	\$18,821,483	18,614,691

According to the Company Act amended in January 2012, Capital surplus is for making up losses first before capitalizing the realized Capital surplus or distributing cash dividends to shareholders in accordance with the original shareholding ratio. The realized Capital surplus referred to above includes the stock premium and bestowed income. According to the Criteria Governing the Offering and Issuance of Securities by Issuers, the total amount of Capital surplus for capitalization every year may not exceed 10% of the paid-in capital.

It was resolved in the Company's shareholders' meeting on June 28, 2016 to distribute cash dividend of NT\$402,133 thousand (NT\$0.7 per share) and NT\$1,044,058 thousand (NT\$1.8 per share) with the Capital surplus in 2015 and 2014 respectively. Please visit the MOPS for the related information.

### 3. Legal reserve

According to the Company Act amended in January 2012, the Company is to appropriate 10% of its net income as legal reserve until it is equivalent to the total capital amount. If there is no net loss, the Company may have stock dividends or cash dividends distributed with legal reserve based on the resolution reached in the shareholder's meeting, but limited to the legal reserve amount exceeding 25% of the paid-in capital.

### 4. Special reserve

When the Company adopted the international financial reporting standards (IFRSs) approved by the FSC for the first time, the Company had chosen to apply IFRS 1 "First-time Adoption of the IFRSs" exemptions, retained earnings was increased by NT\$161,317 thousand due to the accumulated conversion adjustment (profit) under the shareholders' equity, which exceeding the net increase of NT\$102,349 thousand in retained earnings on the conversion date for the first-time adoption of IFRSs approved by the FSC. According to the FSC Certificate Far.Tzi No 1010012865 Order of the Financial Supervisory Commission dated April 6, 2012, special reserve is appropriated for the net increase in retained earnings due to the conversion to the IFRSs approved by the FSC; also, it could be reversed for earnings distribution proportionately to the originally appropriated special reserve while using, disposing or reclassifying the related assets. The special reserve balance amounted to NT\$102,349 thousand as of December 31, 2016 and 2015, respectively.

According to the Order referred to above, while distributing the distributable earnings, the Company had additional special reserve appropriated from the current profit or loss and unappropriated earnings of the prior period for the difference between the net amount debited to other shareholder's equity and the balance of the special reserve appropriated in the preceding paragraph. For the amount debited to other shareholders' equity attributable to prior period accumulation, the special reserve was appropriated from the unappropriated earnings of the prior period and it could not be distributed. The amount debited to the shareholders' equity reversed subsequently can be distributed as earnings.

### 5. Earnings distributions and dividend policy

According to the regulations of the amended Article of Association of the Company, if there is a surplus at the year-end settlement, after tax payment according to the law and the compensation of accumulated losses, a further 10% thereof shall be appropriated as the legal reserve; however, when the legal reserve has reached the paid-in capital of the Company, no further appropriation shall be made, and the remains shall be listed or reserved for special reserve according to the law; if there is still further remains, for such



remains along with the undistributed accumulated surplus, the Board of Directors shall prepare the surplus distribution proposal and shall submit such proposal to the shareholders' meeting for resolution on the distribution of shareholders' dividends and bonuses.

To maintain the sustainable business development and the stable growth of surplus per share of the Company, the shareholders' dividends shall be the surplus after tax of the current fiscal year with the deduction of more than 50% of the special reserve according to the law in principle, and the distribution ratio shall be cash dividend not lower than 50%.

The distributions of dividends per share, employee bonuses, and directors' and supervisors' remuneration for the years 2014 and 2015 which were approved by the stockholders during their meetings on June 25, 2015 and June 28, 2016, respectively, were as follows:

	December 31, 2015 <u>NT\$</u>	December 31, 2014 <u>NT\$</u>
Dividends distributed to ordinary shareholders:		
Cash (dividends per share were \$0.8 and \$0, respectively)	459,581	1,819,147

The above mentioned earnings distribution is consistent with the resolution approved by the board of directors. The information is available on the Market Observation Post System website.

The 2016 earnings distribution after the end of the year, Such earnings distribution is yet to be resolved in the shareholders' meeting. The relevant information can be obtained from the MOPS after the resolutions reached in the meetings.

#### 6. Treasury stock

The Company exercises treasury stock system to buy back stock shares from the Gre Tai Securities Market. The changes in treasury stock are illustrated by the reasons for buy back as follows:

Unit: Thousand shares				
	2015			
Reasons for buy back	Beginning shareholdings	Increase of the year	Decrease of the year	Ending shareholdings
Transferred to employee	-	5,555	-	5,555

The treasury stock is no change in 2016.

According to the Securities Exchange Act, the repurchased shares and percentage shall not exceed 10% of the outstanding shares; the total amount of treasury stock shall not exceed the lump sum of the retained earnings, stock premium and realized Capital surplus. According to the Securities and Exchange Act, the Company's treasury stock may not be pledged and is not entitled to the rights of shareholders before transfer.

7. Other equity (after tax)

	Exchange difference arising from the conversion of a foreign institution's financial Investments available-for- sale	Other	Total
	\$		
Balance – 1/1/2016	(1,460,070)	(3,267)	(2,550,828)
Exchange difference arising from the conversion of a foreign institution's net assets	(63,855)	-	(63,855)
Exchange difference of the subsidiaries and affiliated companies under the equity method	(93,587)	-	(93,587)
Available-for-sale financial assets unrealized gains and	-	(178,850)	(178,850)

losses

The unrealized profit or loss of the available-for-sale financial assets of the affiliated companies under the equity method

-	77,687	-	77,687
---	--------	---	--------

The un-earned remuneration of the employees of the affiliated companies under the equity method

-	-	(3,087)	(3,087)
---	---	---------	---------

Balance – 12/31/2016

\$ (1,617,512)	(1,188,654)	(6,354)	(2,812,520)
----------------	-------------	---------	-------------

January 1, 2015

\$ (1,669,610)	(993,913)	(6,989)	(2,670,512)
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Exchange difference arising from the conversion of a foreign institution's net assets

22,025	-	-	22,025
--------	---	---	--------

Exchange difference of the subsidiaries and affiliated companies under the equity method

187,515	-	-	187,515
---------	---	---	---------

Available-for-sale financial assets unrealized gains and losses

-	(18,507)	-	(18,507)
---	----------	---	----------

The unrealized profit or loss of the available-for-sale financial assets of the affiliated companies under the equity method

-	(75,071)	-	(75,071)
---	----------	---	----------

The un-earned remuneration of the employees of the affiliated companies under the

-	-	3,722	3,722
---	---	-------	-------

equity method

	\$			
	(1,460,		(3,267	(2,550,
Balance – 12/31/2015	070)	(1,087,491)	)	828)

(XVIII) Share-based payment

1. Employee stock warrants

It was resolved at the Board meeting in June 2010 to have the 1st employee stock warrant issued for 10,000,000 units in 2010, which was declared and became effective on November 12, 2010 and issued on August 10, 2011. One unit of stock warrant can subscribe to one common stock share of the Company for a 6-year duration. Employees may exercise the stock option for the cumulative ratio of 40%, 60%, 80% and 100% after 2-year, 3-year, 4-year, and 5-year, respectively, from the date the stock option was awarded.

The Company's employee stock warrant awarded as of December 31, 2016 is as follows:

Type	Term	Exercise period	Vested	Units	Subscription price (NT\$)	Market price per unit on the measurement date (NT\$)	Adjusted performance price (NT\$)
------	------	-----------------	--------	-------	---------------------------	--	-----------------------------------

		of						
		d						
		e						
		cl						
		ar						
		at						
		io						
		<u>n</u>						
The first	2	2	Service	10,0	60.50	60.50	50.2	
employee	0	0	period	00				
stock	1	1	2~4					
options in	0.	1.	years					
2010	1	8.						
	1.	1						
	1	0						
	2							

The remuneration cost of the Company's 2016 and 2015 compensating employee stock option plan amounted to NT\$4,382 thousand and NT\$12,303 thousand, respectively, (including NT\$481 thousand and NT\$3,317thousand recognized as remuneration cost by the subsidiaries, respectively). The fair value of the stock option awarded to employees on August 10, 2011 was estimated in accordance with Black-Scholes stock option valuation model and with the weighted average information of the assumptions illustrated as follows:

Dividend rate	3.6%
Expected price volatility	48.065%
Risk-free interest rate	1.2905%
Expected duration	6 years

The Company at the time of partition had transferred 2,175 thousand shares and 885 thousand shares of the stock option to the subsidiaries, Globalwafers Co., Ltd. and Sino Sapphire CO., LTD., on October 1, 2011, respectively. The volume and weighted average price of the Company's employee stock warrant in 2015 and 2014 is disclosed as follows:

	2016		2015	
		Adjusted weighted average price (NT\$)		Adjusted weighted average price (NT\$)
Employee stock options	Quantity (thousand shares)		Quantity (thousand shares)	
Outstanding shares - beginning	4,585	\$ 52.4	4,650	55.1
Confiscated in current period (number of failures)	(80)	50.2	-	-
The number of shares transferred in the current period of employees assigned to subsidiaries	(70)	50.2	(65)	52.40
Outstanding shares - end of period	4,435	50.2	4,585	52.40
Exercisable employee stock options - end of period	4,335	50.2	3,668	52.40
The average fair market value per share (NT\$) of the employee stock options	\$23.36		23.36	

The weighted average residual duration of the outstanding employee stock options on December 31, 2016 and 2015 was for 0.66 years and 1.66 years, respectively.

(XX) Earnings per share

1. Basic earnings per share

2016	2015
------	------

Net income attributable to the owner of the parent company	\$(1,589,225)	\$ 534,837
Weighted average number of outstanding common stock (shares in thousand) - Beginning	574,476	580,031
Impact of treasure stocks	-	(1,852)
Weighted average number of outstanding common stock (shares in thousand) - End of period	574,476	578,179
Basic earnings per share (NT\$)	\$ (2.77)	\$ 0.93

## 2. Diluted earnings per share

	<u>2015</u>
Net income attributable to the owner of the parent company	\$ 534,837
Weighted average number of outstanding common stock (shares in thousand)	578,179
Employee remuneration in current year not yet resolved by shareholders' meeting that may be paid by issuing stocks	1,299
	579,478
Diluted earnings per share	\$ 0.92

The 2016 employee stock options had no diluting effect; therefore, the diluted earnings per share would not be disclosed.

## (XXI) Revenues

	<u>2016</u>	<u>2015</u>
Sales of goods	\$10,384,167	11,349,361
Labor service provided	-	396
Processing revenue	94	566,211
Electricity revenue	4,944	.

\$10,390,005

11,915,968

(XXII) Remuneration to employees and directors

Pursuant to the article of corporation of the Company approved by the directors of the board but yet to be resolved at the shareholders' meeting, for any earnings of the year, no more than 3% to 15% shall be appropriated as remuneration to the employee and distributed in cash or stocks as proposed by the board of directors. The employees of the Company's subsidiary who have met the specific conditions are entitled to such distribution; the Company may appropriate no more than 3% of the earnings mentioned above as remuneration to the directors as resolved by the directors of the board. The distribution of remuneration of employees and directors should be submitted and reported to the shareholders' meeting. In case the Company has cumulative losses, it should reserve amount to make up losses before distributing remuneration to the employees and directors in pursuant to the percentage mentioned in the preceding paragraph.

The Company has estimated the remuneration to employees and directors of 2015 as NT\$58,372 thousand and NT\$11,000 thousand respectively. The basis for the estimate is for the net income before tax and the exclusion of the remuneration to multiply the distribution multiplier. The result is reported as either operating costs or expenses of 2016. Any difference between the amount actually distributed and the estimated amount shall be handled as changes of accounting estimates, and recognized as profit and loss of 2016. The 2016 operating loss was not estimated to be paid by employees and directors. The relevant information was available to the public information station.

(XXIII) Other income

	2016	2015
Interest income	\$ 11,166	6,128
Dividend income	13,841	15,724
	\$ 25,007	21,852

(XXIV) Other profit and loss

	2016	2015
Foreign currency exchange gains and losses	\$ (72,558)	52,107
Impairment loss	(452,661)	(57,826)
Other	78,600	63,998
	\$ (446,619)	58,279



(XXV) Financial costs

	<u>2016</u>	<u>2015</u>
Interest expenses		
Bank loans	\$ 56,091	50,903
Lease payable	10,331	14,269
	\$ 66,422	65,172

(XXVI) Other comprehensive income for subsidiaries and affiliates under equity method

Other comprehensive income for subsidiaries and affiliates of the Company under equity method of 2016 and 2015 are detailed as follows:

	<u>2016</u>	<u>2015</u>
Exchange difference arising from the conversion of a foreign institution's financial statements	\$ (93,587)	187,515
Unrealized gains or losses on valuation of financial assets available for sales	77,687	(75,071)
	\$ (15,900)	\$ 112,444

(XXVII) Financial instruments

1. Credit risks

(1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit risk exposure amount.

(2) Concentration of credit risk

The Company's material clients are in the silicon wafer industry. The Company assigns a credit line to each customer in accordance with the credit procedures; therefore, the Company's credit risk is mainly affected by the silicon wafer industry. As of December 31, 2016 and 2015, 59% and 81%, respectively, of the Company's notes and accounts receivable (including related party) were attributable to the top-10 customers. Although there was the risk of concentration, the Company had regularly assessed the likelihood of the recovery of receivables and with appropriate allowance for bad debts.

appropriated.

## 2. Liquidity Risk

The contract maturities of financial liabilities are illustrated in the following table, including estimated interest but excluding the impact of the agreed net amount.

	Car ryin g	Am oun t	Contract ual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2016								
Non-derivative financial liabilities								
Short-term loans	\$ 1,760, 000	(1,776,055)	(268,697)	(1,507,358)	-	-	-	-
Notes and accounts payable (including related party)	1,383, 202	(1,383,202)	(1,383,202)	-	-	-	-	-
Long-term loans (including long-term loan due in one year)	2,738, 011	(2,794,672)	(766,656)	(12,672)	(2,015,344)	-	-	-
	\$ 5,881, 213	(5,953,929)	(2,418,555)	(1,520,030)	(2,015,344)	-	-	-
December 31, 2015								
Non-derivative financial liabilities								
Short-term loans	\$ 1,150, 000	(1,163,035)	-	(1,163,035)	-	-	-	-
Notes and accounts payable (including	1,677, 070	(1,677,070)	(1,677,070)	-	-	-	-	-

related party)

Long-term loans

(including long-term loan due in one year)	2,611,106	(2,745,679)	(66,139)	-	(1,387,077)	(1,292,463)	-
Financing lease liabilities	288,729	(398,694)	(9,746)	(9,746)	(19,492)	(58,476)	(301,234)
\$	5,726,905	(5,984,478)	(1,752,955)	1,172,781	6,578,668	(6,889,810)	(301,234)

Beside the 2014 financing lease liabilities repayment in advance, the Company does not expect the cash flow analysis on the maturity date to occur significantly ahead of the schedule or the actual amount will be significantly different.

### 3. Exchange rate risk

#### (1) Exchange rate risk exposure

The Company's financial assets and liabilities exposed to significant foreign exchange rate risk are as follows:

		2016.12.31		
		Foreign currency	Exchange rate	NTD
Financial assets				
Monetary items				
USD	\$	82,098	32.250	2,647,660
JPY		3,903	0.2756	1,076
EUR		28,511	33.900	966,523
Non-monetary items				
USD		58,480	32.250	1,855,980
EUR		11,583	33.900	392,664
Financial liabilities				
Monetary items				

USD	30,743	32.250	991,462
JPY	3,911	0.2756	1,078
EUR	631	33.900	21,391

2015.12.31			
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items			
USD	\$ 102,870	32.825	3,376,708
JPY	35,794	0.2727	9,761
EUR	18,198	35.880	652,944
Financial liabilities			21,391
Monetary items			
USD	39,800	32.825	1,306,435
JPY	20,571	0.2727	5,610
EUR	3,371	35.880	120,951

## (2) Sensitivity analysis

The Company's exchange rate risks primarily come from the cash and cash equivalents, accounts receivable, loan and accounts payable, etc. denominated in foreign currency with the resulting foreign currency exchange gains and losses. When the rate of NT to USD, JPY, and EUR was valued or devalued by 5% on December 31, 2016 and 2015 and with all other factors remaining unchanged, the 2016 and 2015 net income before tax was increased or decreased by NT\$130,174 thousand and NT 130,321thousand, respectively. The analysis of the two periods was performed on the same basis.

(3) Exchange gains or losses for monetary items

The exchange gains or losses of the Company's monetary items (including realized and unrealized) due from conversion to the functional currency, as well as the exchange rate used to convert to the functional currency of the parent company (i.e the currency as expressed in the Company's financial statement) are as follows:

	2016		2015	
	Exchange gains or losses	Exchange gains or losses	The average exchange rate	The average exchange rate
	\$			
USD	(48,470)	32.263	17,963	31.739
EUR	(26,471)	35.7	38,531	35.240
JPY	40	0.2972	(4,431)	0.2624
Franc	(10)	32.72	44	33.00
RMB	2,353	4.849		-

4. Interest rate analysis

The Company's interest rate exposure of financial assets and financial liabilities is described in the liquidity risk management of this note.

The following sensitivity analysis is based on the interest rate risk exposure. The analysis of the floating interest rate liabilities is with the assumption that the amount of liability outstanding on the reporting date was outstanding for the whole year.

If interest rates increased or decreased by 0.25%, but all other variables remained constant, the Company's net income before tax in 2016 and 2015 would be decreased or increased by NT\$3,544 thousand and NT\$6,205 thousand respectively, mainly due to the Company's loans with variable interest rates.

5. Fair value information

(1) Types of financial instruments and fair value

Information on the carrying amounts and fair values of financial assets and financial liabilities of the Company (including information on fair value

hierarchy; however for financial instruments not measured at fair value but with carrying amounts reasonably approximate to fair value, or equity instrument investment in the active market with no quotation and no fair value reliably measured, there is no need to disclose fair value information) are as follows:

2016.12.31					
Fair value					
	Carrying Amount	Level I	Level II	Level III	Total
Financial assets in available-for-sale—non-current	\$ 661,280	661,280	-	-	661,280
Financial assets in held-to-maturity-non-current	\$ 281,400	-	261,479	-	261,479
Financial assets measured at cost—non-current	\$ 368,141	-	-	-	-
Loans and receivables					
Cash and cash equivalents	\$ 2,579,645	-	-	-	-
Notes and accounts receivable (including related party)	1,670,756	-	-	-	-
Other financial assets (current and noncurrent)	25,204	-	-	-	-
Subtotal	\$ 4,275,605	-	-	-	-

Financial liabilities measured with amortized costs	\$ 1,760,000				
Short-term loans					
Long-term loans (including long-term loan due in one year)	2,738,011	-			
Notes and accounts payable (including related party)	1,383,202	-	-	-	-
	\$ 5,881,213				
Subtotal		-	-	-	-

2015.12.31  
Fair value

	Carrying Amount	Level I	Level II	Level III	Total
Financial assets in available-for-sale—non-current	\$ 840,130	\$ 840,130	-	-	840,130
Financial assets measured at cost—non-current	\$ 811,802	-	-	-	-
Loans and receivables					
Cash and cash equivalents	\$ 1,279,123	-	-	-	-
Notes and accounts receivable (including related	2,652,104	-	-	-	-

party)					
Other financial					
assets (current and noncurrent)	41,902	-	-	-	-
	\$				
	3,973				
Subtotal	,129	-	-	-	-
Financial liabilities measured with amortized costs					
	\$				
	1,150				
Short-term loans	,000	-	-	-	-
Long-term loans (including long-term loan due in one year)	2,611,106	-	-	-	-
Notes and accounts payable (including related party)	1,677,070	-	-	-	-
	288,728				
Subtotal		-	344,295	-	344,295
	\$				
	5,726				
	,904	-	344,295	-	344,295

(2) Valuation technique to measure the financial instruments that are not measured at fair value

The methods and assumptions the Company adopts to estimate fair value of instruments that are not measured at fair value are as follows:

A. Held-to-maturity financial assets

If there is a public market offer, then the market price for the fair value; if no market price for reference, the use of evaluation methods to estimate or use the counterparty offer

B. Financial liabilities measured with amortized costs

If prices from sales or quoted prices from sellers are available, the most recent sale price and quoted price shall be used as basis to estimate the fair value. If no market value is available for reference, the valuation method is adopted for the estimation. The assessment and assumption adopted by the



valuation method is fair value of the estimated discounted cash flow.

(3) Valuation technique employed to measure financial instruments that are measured at fair value

Non-derivatives financial instruments

If the financial instrument has quoted prices available in the active market, the quote in the active market shall be used as fair value. Both the market prices announced by major exchanges and those of Central Government bonds determined as popular securities announced by the Taipei Exchange are considered basis of fair value for equity instruments listed in the Exchange (Taipei Exchange)

If public quoted prices can be timely obtained from the exchanges, brokers, underwriters or the competent authority, and the prices can represent actual and frequent transactions in the market, the financial instruments are consider to have public quoted prices in the active market. If the above condition is not met, the market is consider inactive. Generally speaking, if there is great difference between the sales price and purchase price, or there is significant increase in such difference or the transaction are not frequent, there is indication that the market is not active.

Listed stocks in the exchanges (Taipei Exchange) refer to the financial assets and financial liabilities with standard clauses and conditions that are traded in the active market. Their fair market value refer to their market quoted price respectively.

From January 1 to December 31 of 2016 and 2015, there is no transfer between fair value hierarchy.

(XXVIII) Financial Risk Management

1. Outline

The financial instrument that the Company is using is exposed to the following risks:

- (1) Credit Risk
- (2) Liquidity Risk
- (3) Market Risk

The Company's risk exposure information and the objectives, policies and procedures of the Company's risk measurement and management are disclosed in this note. Please refer to the notes to the individual financial statements for the quantitative disclosure in detail.

2. Risk management structure

The Board has sole responsibility for and oversight of the Company's risk management framework and risk management policies and procedures. Internal auditors assist the Board of Directors to monitor and to carry out the regular and extraordinary review of risk management controls and procedures, and to report the results of the review to the Board.

The Company's risk management policy is established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risk and the compliance with risk limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Company's operations. Also, develop a disciplined and constructive environmental control through training, management standards, and operating procedures in order to help all employees understand their roles and obligations.

The audit committee of the Company oversees the management personnel to monitor and control the Company's compliance of risk management policies and procedures, as well as review the appropriateness of relevant risk management framework the Company employs to determine and plan responses to risk. The internal auditor assists the audit committee the Company to play the role of auditors. Internal auditors carry out the regular and extraordinary review of risk management controls and procedures, and report the results of the review to the Board.

### 3. Credit Risk

The primary potential credit risk of the Company mainly comes from the financial instruments of cash and accounts receivable. The Company's cash is deposited in different financial institutions

#### (1) Accounts receivables and other receivables

The Company has established a credit policy. Before granting the standard payment and shipping terms as well as any other clauses, the Company shall analyze the credit rating of each new customer respectively. The limit or purchase quota shall be established according to each respective customer, and the limit shall be reviewed periodically. For customers not meeting the standard credit ratings as required, they can only make purchases from the Company on the basis of pre-payment.

The Company has not requested collaterals on accounts receivables and other receivables.

#### (2) Investment

Credit risk on bank deposits, fixed-income investments and other financial instruments are measured and monitored by the Company's finance department. As the Company's trading partners and its counterparties fulfil

their obligations either as banks with good credit standing or financial institutions, corporations, and government agencies of investment-grade and above, there should be no significant credit risk of them defaulting on their payment obligations, and this shall not be a concern.

### (3) Guarantees

Pursuant to the Company's policy, it can only provide financial guarantees to companies with which it has business dealings, i.e. those companies that directly and indirectly hold more than 50 percent of the Company's voting shares, as well as the combined companies in which the Company holds directly and indirectly more than 50 percent of the voting shares. As of December 31, 2016 and 2015, except to the subsidiary companies, the Company does not provide any endorsement or guarantee.

## 4. Liquidity Risk

The Company has managed to pay for its operations by managing and maintaining sufficient cash and cash equivalents while mitigating the effects of fluctuations in cash flows. The Company's management is responsible for monitoring the credit lines granted by the bank and ensuring the compliance of the terms specified on the loan.

The bank loan is an importance source of liquidity. As of December 31, 2016 and 2015, the unused short term bank credit lines are NT\$1,925,860 and NT\$1,382,720 respectively.

## 5. Market Risk

Market risk refers to the changes in market prices, such as exchange rates, interest rates and equity instrument price changes, causing risks to the Company's income or the value of the financial instruments. The purpose of market risk management is to contain market risk exposure within the tolerable range and with the return on investment optimized.

### (1) Exchange rate risk

The Company is exposed to exchange rate risk that arises from sales, purchases and loans transactions denominated in non-functional currency. The Company's functional currency is NT Dollars. Such transactions are mainly denominated in the currencies of NTD, USD, JPY and EUR.

Loan interest is denominated in the currency of the loan principal. In general, a loan is in the same currency as the cash flow generated from an operating activity, which is mainly in NT Dollars.

For other monetary assets and liabilities denominated in foreign currencies, for any short-term imbalance occurring, the Company is to maintain the net risk exposure at an acceptable level by buying or selling foreign

currency at the spot exchange rate.

(2) Interest rate risk

The Company holds assets and liabilities with floating interest rates, resulting in a cash flow interest rate risk exposure.

(3) Equity instrument price

The Company has equity price exposures due to investments in stocks listed on the Taipei Exchange (TPEX). Those equity investments are not held for trading but for strategic investment.

Please refer to Note 6 (4) for risk of changes, in detail.

(XXIX) Capital Management

The policy of the Board of Director is to maintain sound capital base in order to uphold the confidence of investor, creditor, and market, and to support future operations and development. Capital includes the Company's capital stock, capital surplus, retained earnings and other equities. The Board of Directors controls the return on capital and the common stock dividend level.

Debt capital ratio on the reporting date is as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Total liabilities	\$ 8,708,602	\$ 9,282,839
Less: Cash and cash equivalent	(2,579,645)	(1,279,123)
Net liabilities	\$ 6,128,957	\$ 8,003,716
Total Equity	\$20,898,541	\$22,986,756
Debt capital ratio	29.33%	34.82%

As of December 31, 2016 the debt capital ratio has decreased due to the repayment of long term loan, reducing total liabilities.

VII. Related party transactions

(I) The relationship between parent company and subsidiaries

The Company's subsidiaries are as follows:

	Owner's equity (shareholding %)	
	<u>2016.12.31</u>	<u>2015.12.31</u>
<u>Location of establishment</u>	<u>.31</u>	<u>1</u>

Sino Silicon Technology Inc. (referred to hereinafter as SSTI)	British Virgin Islands	100 %	100 %
Globalwafers Co., Ltd.	Taiwan	60.2 %	66.7 %
Aleo Solar GmbH (referred to hereinafter as Aleo Solar) (Note 1)	Germany	100 %	100 %
Aleo Solar Distribuzione Italia S.r.l.	Italy	100 %	100 %
Aleo Sunrise GmbH (referred to hereinafter as Aleo Sunrise)	Germany	100 %	100 %
SAS Sunrise Inc.	Cayman	100 %	100 %
SAS Sunrise Pte. Ltd.	Singapore	100 %	100 %
Sulu Electric Power and Light Inc. (Referred to hereinafter as SULU) (Note 1)	Philippines	40%	40%
MLED International Systems Inc. (referred to hereinafter as AMLED)(Note 2)	Philippines	-	-
Sino-American Materials Co., Ltd.	Taiwan	90%	90%
FZtech Inc. (referred to hereinafter as FZtec)	Taiwan	100 %	-
GlobalSemiconductor Inc. (referred to hereinafter as GSI)	Cayman	100 %	100 %
GlobalWafers Inc.(referred to	Cayman		

hereafter as GWI)	100 %	100 %	
GWafers Co., Ltd.(referred to Japan hereinafter as GWafers)	100 %	100 %	
GWafers Singapore Pte.Ltd. Singapore (referred to GWafers Singapore )	100 %		
Topsil GlobalWafers A/S Demark (referred to Topsil A/S)	100 %		
Sino-America Silicone Products Kunshan City, Jiangsu Inc. (hereinafter referred to as Province “Sino-America Silicone” )	100 %	100 %	
GlobiTech Texas Incorporated(referred to hereinafter as GTI)	100 %	100 %	
GlobalWafers Japan Co., Japan Ltd.(referred to hereinafter as GWJ)	100 %	100 %	
Shanghai Glowfast shanghai semiconductor technology co.ltd.	60%		-
Topsil Semiconductor sp z o.o. poland	100 %		-
SunEdison Semiconductor Singapore Limited	100 %		-
SunEdison Semiconductor B.V. Nerthlands	100 %		-
SunEdison Semiconductor Singapore Technology Pte Ltd.	100 %		-
MEMC Japan Ltd. Japan	100 %		-
MEMC Electronic Materials Italy SpA	100 %		-

MEMC France SarL	Electronic Materials	France	100 %	-
MEMC GmbH	Electronic Materials	Germany	100 %	-
MEMC Holding B.V.		Nerthlands	100 %	-
MEMC Korea Company		Korea	100 %	-
SunEdison Semiconductor LLC		U.S.A	100 %	-
MEMC Sdn Bhd	Electronic Materials,	Malaysia	100 %	-
SunEdison Technology (Shanghai) Ltd	Semiconductor	shanghai	100 %	-
SunEdison Holdings B.V.	Semiconductor	Nerthlands	100 %	-
Taisil Electronic Materials Corp.		Taiwan	99.9 6%	-
MEMC Ipoh Sdn Bhd		Malaysia	100 %	-

Note 1: even if the merged company has no more than 50 percent voting shares in SPV, it may control the finance and strategy of the SPV through valid agreements with other investors of SPV. As a consequence the SPV is deemed as a subsidiary of the Company.

Note 2: even if the merged company does not hold any equity interest in AMLED, it may control the finance and strategy of this company and obtain all interests derived from its operations and net assets. As a consequence AMLED is deemed as a subsidiary of the Company.

(II) Parent company and ultimate controller

The Company is the ultimate controller of the Company and its subsidiaries.

(III) Other related party transactions

1. Operating revenue

The Company's material sales amount to the related party are as follows:

	2016	2015
Subsidiary	\$ 246	\$ 1,226,527
Affiliated companies	1	1
Other related parties	1,521,109	1,422,325
	\$ 1,521,356	\$ 2,648,853

The Company had processing income from the related party for NT\$169,279 thousand and NT\$174,927 thousand in 2016 and 2015 that was debited to the operating cost, respectively.

The Company offers selling price to the related party in accordance with the general market price and has the price adjusted with the considerations of sales area, sales volume, etc.

In 2016 and 2015, the Company offered a payment term to regular customers of 0~120 days and O/A 0~90 days respectively; the payment terms offered to major related parties are Net 30~180 days and Net 45~180 days respectively.

2. Purchase and outsourced processing

The amount of purchase and outsourced processing from the related party by the Company is as follows:

	2016	2015
Subsidiary	\$ 134,995	\$ 34,964
Other related parties	51,128	833,784
	\$ 186,127	\$ 868,748

The Company has used the general market price to purchase goods and outsource processing from the related party.

In 2016 and 2015 the Company was granted a payment term of O/A 0 day ~ 120 days from regular suppliers; and Net 7~90 days and O/A 15~60 days purchase term granted from the related parties.

3. Receivables from related parties

The Company's receivables from the related parties are as follows:



<u>Account</u>	<u>Classificatio n of related party</u>	<u>2016.12.31</u>	<u>2015.12.31</u>
Receivables from related parties	Subsidiary	\$ 515,658	\$ 966,592
Receivables from related parties	Other related parties	131,172	169,671
		\$ 646,830	\$ 1,136,263

In addition, the related party has long-term supply agreements signed with the Company gradually to secure a stable supply of raw materials for production. As of December 31, 2015, and 2014, the advances from the related party (booked in the “received in advance” and “long-term prepayment”) were as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Other related parties	\$ 905,456	962,788

4. Payables to related parties

The Company’s payables to related parties are as follows:

<u>Account</u>	<u>Classificatio n of related party</u>	<u>2016.12.31</u>	<u>2015.12.31</u>
Payable to related parties	Subsidiary	\$ 1,742	\$ 9,259
Payable to related parties	Other related parties	4,204	198,545
		\$ 5,946	\$ 207,804

5. Property transactions

Information regarding the Company’s selling machinery equipment to the related party is summarized as follows:

<u>2016</u>		<u>2015</u>	
<u>Sale price</u>	Receivables from related	<u>Sale price</u>	Receivables from related

		<u>parties</u>		<u>parties</u>
Subsidiary	\$33,363	-	\$ 3,697	-
Affiliated companies	-	-	281	-
Other related parties	-	-	2,849	-
	\$33,363	-	\$ 6,827	-

In 2016 and 2015 the realized gains were NT\$843 thousand and NT\$645 thousand respectively. As of December 31, 2016 and 2015 the deferred gains on disposal of fixed assets from selling fixed assets to related parties are NT\$4,112 thousand and NT\$3,496 respectively.

Information regarding the Company's buying machinery equipment from the related party is summarized as follows:

	<u>2016</u>		<u>2015</u>	
	Amount	Amount	Amount	Amount
	payable at	payable at	payable at	payable at
	end of	end of	end of	end of
	period	period	period	period
	(Prepaid	(Prepaid	(Prepaid	(Prepaid
	equipment)	equipment)	equipment)	equipment)
	Amount	Amount	Amount	Amount
Subsidiary	\$-	-	\$-	-
Other related parties	7,282	-	118,437	-
	\$ 7,282	-	\$ 118,437	-

#### 6. Management fee income

Information regarding the Company's collecting the management fees income from related parties and having them debited to the management expense is as follows:

	<u>2016</u>	<u>2015</u>
Subsidiary	\$ 503	15,584

As of December 31, 2016 and 2015, the management fees yet to be received are NT\$137 thousand and NT\$2,014 thousand respectively and recorded in the account of receivable from related parties.

7. Technical service income

The Company collected technical service income from the related parties and recorded them in the account of “Other profits or losses”. Please see detail as follows:

	<u>2016</u>	<u>2015</u>
Subsidiary	\$ 7,019	\$ 10,848
Affiliated companies	-	-
	\$ 7,019	\$ 10,848

As of December 31 of 2016 and 2015, the technical service income yet to be received is recorded in the account of receivables from related parties of NT\$2,226 thousand and NT\$2,835 thousand respectively.

8. Loan to related parties

The actual disbursement of loan to the related parties is as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Subsidiary	\$ 467,513	179,400

The interests on loans to subsidiaries are calculated with the average interest rate of the year the disbursement was made. All loans are unsecured. The interest incomes in 2016 and 2015 are NT\$10,973 thousand and NT\$500 respectively. As of December 31, 2016 and 2015, the interest receivable at end of period are NT\$5,131 thousand and NT\$275 thousand respectively and recorded under the account of receivables from related parties.

9. Endorsement and guarantee

The Company's endorsements and guarantees for the related party is summarized as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Subsidiary	\$ 4,774,250	\$ 1,981,518

Upon the resolution of the Board of Directors on May 5, 2016, Sino-American Silicor

Products Inc. originally provided a total amount of 64,207 thousand dollars to other interested parties for their bank loans with the setting of mortgage guarantee.

On August 9, 2016, upon the resolution of the Board of Directors, Sino-American Silicor Products Inc. had canceled the providing of property to other interested parties for their bank loans with the setting of mortgage guarantee.

#### 10. Corporate bonds

In October 2016, the Company purchased five-year term of private corporate bonds from affiliated companies, and each bond par value is 1,000 thousand dollars with a total purchase of 280 bonds for a total of 280,000 thousand dollars, interest is paid every half year, the effective interest rate and coupon rate are both 2% respectively. The interest income in 2016 is 1,400 thousand dollars. On December 31, 2016, the accumulated investment cost and interest receivable are of the amount of 281,400 thousand dollars, listed for holding till the expiration date under the financial asset – non-current item.

#### 11. Various amount paid on behalf

As of December 31, 2016 and 2015, the unsettled balance of amounts paid on behalf in between related parties, including the purchase of materials, insurance and utilities bills, are recorded under the account of receivables (payable) from/to the related parties as follows:

	<u>2016.12.31</u>	<u>2015.12.31</u>
Subsidiary	\$ 51,938	\$ 34,456
Subsidiary	(367)	(131,693)
Affiliated companies	4,810	5,867
Affiliated companies	(39)	(41)
Other related parties	126	-
	\$ 56,468	\$ (91,411)

#### 12. Other

- (1) The company's direct sales to the related parties are deemed as transfer of inventory and not as sales and costs of the Company, as the sales revenue and related costs are offset in the financial statements. For 2016 and 2015 the sales mentioned above are NT\$1,462,320 thousand and NT\$1,411,392 respectively. As of December 31, 2016 and 2015 deferred revenue from the above transactions amounted to NT\$51,353 thousand and NT\$81,952 respectively which recorded in the account of investment under equity method.

(2) The plant lease contract signed by the Company and its related parties are summarized as below:

The Company has signed a contract to lease a plant from its related parties. The lease payable and other payables to the related parties are detailed as follows:

	<u>2016</u>	<u>2015</u>
Subsidiary	\$ 816	\$ 816
affiliated companies	290	.
Other related parties	22,680	11,340
	\$ 23,786	\$ 12,156

<u>Account</u>	Classificati on of related party	<u>2016.12.31</u>	<u>2015.12.31</u>
Payable to related parties	Subsidiary	\$ -	\$ 71
	affiliated companies	\$ 89	\$ 71

(3) The lease contracts the related parties signed with the Company are summarized as follows:

The Company has a lease contract signed with the related party. The related rent income and accounts receivable – related party is detailed as follows:

	<u>2016</u>	<u>2015</u>
Subsidiary	\$ 15,033	\$ 2,400
Affiliated companies	-	7,836
	\$ 15,033	\$ 10,236

<u>Account</u>	Classificati on of related party	<u>2016.12.31</u>	<u>2015.12.31</u>
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Receivables from related parties	Subsidiary	\$3,230	\$ 420
Receivables from related parties	Affiliated companies	-	686
		\$ 3,230	\$ 1,106

(IV) Major transactions involving management

The remuneration to key management include:

	<u>2016</u>	<u>2015</u>
Short-term employee benefits	\$ 41,321	\$ 47,850
Post-employment benefits	494	486
Share-based payment	1,719	4,827
	\$ 53,163	\$ 53,163

The Company provided 3 automobiles for a total of NT\$3,345 thousand for the use by management in 2016, and 2015 respectively.

VIII. Pledged assets

(I) The carrying amount of the assets pledged by the Company as collateral is as follows:

<u>Assets</u>	<u>Pledge or Mortgage underlying subject</u>	<u>2016.12.31</u>	<u>2015.12.31</u>
Property, plant and equipment	Long-term debt payable	\$ 1,868,996	\$ 585,410
Bank deposits (recorded as "other financial assets – noncurrent" account)	Innovation Center program performance bond	-	-

Bank deposits (recorded as “other financial assets – noncurrent” account)	Solar energy demonstration system pledge guarantee	-	201
Bank deposits (recorded as “other financial assets – noncurrent” account)	Pledged as collateral to a land lease	7,750	20,497
Bank deposits (recorded as “other financial assets – noncurrent” account)	Performance bonds for Government grant provided to technology projects	5,745	8,412
		\$ 1,882,491	614,520

#### IX. Material-contingent liabilities and unrecognized contractual commitments

Beside note VI(15), the company material-contingent liabilities and unrecognized contractual commitments as below:

##### (I) Material unrecognized contractual commitments

1. The Company's purchase amount yet to be spent in accordance with the current effective long-term purchase contract is as follows:

(Foreign currency unit: in Thousand)

	<u>2016.12.31</u>	<u>2015.12.31</u>
USD	\$ 1,641,970	\$ 1,641,970
EUR	\$ 48,400	\$ 48,400

Silicone supplier Hemlock Semiconductor Pte Ltd. has send notification requesting the

Company for prepayment, payment for goods to be collected, and late payment arrearage interests in accordance with the long-term purchase contract for a cumulative total of US\$464,096thousand and US\$452,640as of December 31, 2016. and 2015.The aforementioned purchase amount yet to be collected, except for interest, has included the amount requested by the suppliers. Given the Company continues to trade with Hemlock, the Company considers the possibility to pay the afore-mentioned interest is low and therefore doesn't recognize the associated contingent liability.

Hemlock Semiconductor Pte Ltd. has served summons and complaints to the Company and they arrived the Company on May 12, 2015. For relevant information please refer to (2) the contingent liabilities.

The Company has appropriated impairment loss on prepayment of goods purchased from the silicone supplier for NT\$21,268 thousand and NT\$177,539thousand respectively. As of December 31, 2016and 2015, the pre-payments for goods to a silicone supplier by the Company, net of the impairment loss of NT\$940,468thousand and NT\$919,200thousand, are NT\$1,312,090 thousand and NT\$1,749,967thousand respectively and recorded under the account of material pre-payments and long-term pre-paid material".

2. In response to the long-term purchase contract referred to above, the Company has signed silicone wafer long-term sales contracts with the customers since the year 2005, who agreed to pay for the non-refundable funds. Both parties agree that the Company sells silicon wafers in accordance with the agreed quantity and price between January 1, 2006 and December 31, 2019. If the delivery has not been made in compliance with the contract signed, a sales discount or an amount equivalent to 1.5~4 times of the advances from customers as compensation should be granted. If the delay of shipment has not been resolved for more than three months, the outstanding pre-payment should be refunded. In response to the price decline arising from the falling demand, solar energy battery customers and the Company will negotiate the selling price and adjusting the average selling price in accordance with market conditions.

The amount of delivery according to the existing contracts and current market conditions is as follows:

(Foreign currency unit: in Thousand)

	<u>2016.12.31</u>	<u>2015.12.31</u>
USD	\$ 216,818	\$ 277,007



EUR	\$ 164,556	\$ 188,879
NTD	\$ 54,854	\$ 580,961

3. As of December 31, 2016 and 2015, material construction as well as equipment and plants projects signed or ordered but yet to be inspected amounted to NT\$175,300thousand and NT\$542,779 thousand respectively.
4. As of December 31, 2016 and 2015, the total amount of promissory notes deposited in the bank by the Company after obtaining bank loans was NT\$11,795,860 thousand and NT\$9,612,720 thousand, respectively.
5. As of December 31, 2016 and 2015, the amount of the performance bond issued by the bank upon the request of the Company to the Directorate General of Customs, Ministry of Finance and for R&D programs was NT\$38,740thousand and NT\$41,400 thousand, respectively.
6. As of December 31, 2016 and 2015 the letter of credits issued yet unsecured amounted

As below:

	<u>2016.12.31</u>	<u>2015.12.31</u>
USD	\$ -	\$ 6,162
EUR	\$ 480	\$ 4,688

7. The Company and polycrystalline solar cell manufacturers (hereinafter referred to as "the manufacturer") have a cooperation agreement signed so that the manufacturer is to provide a plant and equipment to the Company for business operations from April 1, 2016 to March 31, 2021. According to the contract, the Company shall allocate part of the operating profit arising from the plant and equipment to the manufacturer. During the contract period, after the cumulative operating profit reached a certain amount, the Company is entitled to obtain ownership of the plant and equipment with or without any consideration paid.

## (II) Contingent liabilities

The Company reached agreement with the silicon material supplier Hemlock regarding the litigation between the parties in May 2016 that Hemlock suspend its litigation procedure towards the Company until 1 April 2018 under certain conditions. The parties signed STIPULATION OF DISCONTINUANCE and SETTLEMENT AGREEMENT. Under the SETTLEMENT AGREEMENT, SAS has to purchase certain quantity silicon material from

Hemlock and its affiliates.

X. Loss from major accidents: None

XI. Materiality after the period

For the purpose of market expansion and cooperation with the future operation development needs, the subsidiary, Taixu Energy Co. Ltd., of the merger company executed capital increase by cash on January 13, 2017, for an amount of 1,499,000 thousand dollars, the merger company invested 449,000 thousand dollars, and the shareholding ratio dropped from 100% to 30%. Following the above, on February 24, 2017, the merger company sold 100% of equity shares of Shuzhong Energy Co. Ltd. to Taixu Energy Co. Ltd.

XII. Others

Employee benefits and depreciation expenses are summarized by functions as follows:

By Function		2015			2015		
		Classified as operating cost	Classification of operating expenses	Total	Classified as operating cost	Classification of operating expenses	Total
By Nature							
Employee benefits expense							
Salaries		854,506	159,766	1,014,272	745,064	154,526	899,590
Labor and health		91,712	12,320	104,032	67,325	11,582	78,907

insurance						
Pension expenses	36,557	6,039	42,596	30,356	6,010	36,366
Other employee benefits expense	51,270	4,628	55,898	35,137	3,600	38,737
Depreciation expense	981,993	54,744	1,036,737	832,083	62,243	894,326
Amortizations				17,785	-	17,785

As of December 31 2016 and 2015, the Company has 1,541 and 1,754 employees respectively.

### XIII. Supplementary disclosure

(I) Relevant information of material transactions:

Significant transactions to be disclosed by the Company in 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers are as follows:

1. Loaning of Funds: Attachment I
2. Endorsement and guarantee for others: Attachment II
3. Marketable securities held at year end (Does not include investments in subsidiaries, affiliated companies and joint control): Attachment III
4. The cumulative purchase or sale of the same marketable security for an amount over NT\$300 million or 20% of the paid-in capital: Attachment IV
5. Acquisition of real estate for an amount over NT\$300 million or 20% of the paid-in capital: Attachment V
6. The amount of real property disposed exceeds NT\$300 million or 20% of stock capital collected: None
7. The purchase or sale amount with the related parties for an amount over NT\$100 million or 20% of the paid-in capital: Attachment VI
8. Receivables from related parties for an amount over NT\$100 million or 20% of the paid-in capital: Attachment VII
9. Trading of Derivative Products: None.

(II) Transfer Investment Information: Attachment VIII

(III) Information on investment in Mainland China:

1. Investments in Mainland China information: Please refer to Attachment IX (I) for

details

2. Investment limits in Mainland China: Please refer to Attachment IX (II) for details.

#### XIV. Segment information

Please refer to the 2016 consolidated financial statements for segment information, in detail.

**Sino-American Silicon Products Inc. and its subsidiaries**  
**Lending of Funds**  
**From January 1 to December 31, 2016**

Attachment I

Unit: NT\$ Thousand

Lending company	Borrower	Inter account		Maximum amount	Balance - ending	The actual utilization amount balance	Interest rates interval	Nature of the loans	Trade amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Loaning of fund to individual object and the limits	Limit for total funds lent
												Name	Value		
Sino-American Silicon Products Inc.	Sulu	Loan receivable – related party	Yes	501,750 (USD15,000)	483,750 (USD15,000)	394,821 (USD12,243)	4.5%	2	-	Working capital	-	-	-	2,089,854	8,359,416
Sino-American Silicon Products Inc.	Aleo Solar	Loan receivable – related party	Yes	367,800 (EUR10,000)	339,000 (EUR10,000)	-	2.0%	2	-	Working capital	-	-	-	2,089,854	8,359,416
Sino-American Silicon Products Inc.	Aleo Sunrise	Loan receivable – related party	Yes	183,900 (EUR5,000)	169,500 (EUR5,000)	-	2.0%	2	-	Working capital	-	-	-	2,089,854	8,359,416
Sino-American Silicon Products Inc.	SPW	Loan receivable – related party	Yes	200,000	200,000	-	2.5%	2	-	Working capital	-	-	-	2,089,854	8,359,416

Lending company	Borrower	Inter account		Maximum amount	Balance - ending	The actual utilization amount balance	Interest rates interval	Nature of the loans	Trade amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Loaning of fund to individual object and the limits	Limit for total funds lent
												Name	Value		
Sino-American Silicon Products Inc.	SPV1	Loan receivable – related party	Yes	300,000	300,000	72,692	2.5%	2	-	Working capital	-	-	-	2,089,854	8,359,416
	Sulu	Loan receivable – related party	Yes	468,300 (USD14,000)	217,688 (USD6,750)	217,688 (USD6,750)	4.0%	2	-	Working capital	-	-	-	447,565	447,565
	AMLED	Loan receivable – related party	Yes	217,688 (USD6,750)	217,688 (USD6,750)	217,688 (USD6,750)	4.0%	2	-	Working capital	-	-	-	447,565	447,565
Sunrise Inc.	AMLED	Loan receivable – related party	Yes	33,450 (USD1,000)	-	-	4.0%	2	-	Working capital	-	-	-	309,706	309,706
Sunrise Inc.	Sulu	Loan receivable – related party	Yes	260,920 (USD8,000)	258,000 (USD8,000)	258,000 (USD8,000)	4.0%	2	-	Working capital	-	-	-	309,706	309,706

Lending company	Borrower	Inter account		Maximum amount	Balance - ending	The actual utilization amount balance	Interest rates interval	Nature of the loans	Trade amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Loaning of fund to individual object and the limits	Limit for total funds lent
												Name	Value		
Sunrise Pte	AMLED	Loan receivable – related party	Yes	294,360 (USD8,800)	275,738 (USD8,550)	-	4.5%	2	-	Working capital	-	-	-	293,983	293,983
1	AMLED	Loan receivable – related party	Yes	110,038 (USD3,412)	110,038 (USD3,412)	110,038 (USD3,412)	4.0%~4.5%	2	-	Working capital	-	-	-	289,646	289,646
✓	SPV1	Loan receivable – related party	Yes	55,000	55,000	31,609	2.5%	2	-	Working capital	-	-	-	117,338	117,338
o Solar	Aleo Sunrise	Loan receivable – related party	Yes	237,300 (EUR7,000)	237,300 (EUR7,000)	237,300 (EUR7,000)	1.5%	2	-	Working capital	-	-	-	392,660	392,660
balwafers Ltd.	Topsil	Loan receivable – related party	Yes	500,000	200,000	96,682 (USD2,998)	2%	2	-	Working capital	-			1,577,470	1,577,470
balwafers Ltd.	GWafers Singapore	Loan receivable – related party	Yes	1,593,500 (USD50,000)	-	-	2.5%	2	-	Working capital	-	-	-	1,577,470	1,577,470

Lending company	Borrower	Inter account		Maximum amount	Balance - ending	The actual utilization amount balance	Interest rates interval	Nature of the loans	Trade amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Loaning of fund to individual object and the limits	Limit for total funds lent
												Name	Value		
Globalwafers Ltd.	SSBV	Loan receivable – related party	Yes	1,593,500 (USD50,000)	1,451,250 (USD45,000)	566,091 (USD17,553)	2.5%	2	-	Working capital	-	-	-	1,577,470	1,577,470
J	Globalwafers Co., Ltd.	Loan receivable – related party	Yes	1,504,000 (JPY5,000,000)	1,378,000 (JPY5,000,000)	1,378,000 (JPY5,000,000)	0.44%	1	5,110,592	Business dealings	-	-	-	5,110,592	4,171,518
V	MEMC Korea	Loan receivable – related party	Yes	1,290,000 (USD40,000)	1,290,000 (USD40,000)	1,212,846 (USD37,608)	7%	2	-	Working capital	-	-	-	1,290,000	1,290,000
V	MEMC SpA	Loan receivable – related party	Yes	248,516 (EUR7,331)	248,516 (EUR7,331)	248,516 (EUR7,331)	-	2	-	Working capital	-	-	-	248,516	248,516
V	SSL	Loan receivable – related party	Yes	3,708,750 (USD115,000)	1,967,090 (USD60,995)	1,967,090 (USD60,995)	7%	2	-	Working capital	-	-	-	3,708,750	3,708,750
MC SpA	SSL	Loan receivable – related party	Yes	2,644,200 (EUR78,000)	2,644,200 (EUR78,000)	2,410,191 (EUR71,907)	3.49%	2	-	Working capital	-	-	-	2,644,200	2,644,200



Lending company	Borrower	Inter account		Maximum amount	Balance - ending	The actual utilization amount balance	Interest rates interval	Nature of the loans	Trade amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Loaning of fund to individual object and the limits	Limit for total funds lent
												Name	Value		
Bank of China	MEMC Ipoh	Loan receivable – related party	Yes	1,612,500 (USD50,000)	1,612,500 (USD50,000)	403,125 (USD12,500)	3%	2	-	Working capital	-	-	-	1,612,500	1,612,500

													Collateral		
Lending company	Borrower	Inter account		Maximum amount	Balance - ending	The actual utilization amount balance	Interest rates interval	Nature of the loans	Trade amount	Reasons for short-term financing	Allowance for bad debt	Name	Value	Loaning of fund to individual object and the limits	Limit for total funds lent
Oil	SSL	Loan receivable – related party	Yes	12,900,000 (USD400,000)	12,900,000 (USD400,000)	12,508,978 (USD387,875)	2 %	2	-	Working capital	-	-	-	12,900,000	12,900,000

Note 1: The entry method for the loaning of funds is as follows:

(1) “1” stands for those who had conducted business transactions with the company;

(2) “2” stands for where there was need for a short-term loan;

Note 2: For the loaning of funds to a business counterpart, the individual loan amount is limited to the transaction amount conducted between the two parties within the year. For the loaning of funds to a company with the need of short-term financing, the individual loan amount is limited to 10% of the net worth of the lender. For the loaning of funds between the lender and a foreign company with 100% voting rights held directly and indirectly by the lender, the individual loan amount is limited to 20% of the net worth of the lender.

Note 3: For the loaning of funds to a business counterpart, the total loan amount is limited to 40% of the net worth of the lender. For the loaning of funds to a company with the need of short-term financing, the total loan amount is limited to 40% of the net worth of the lender. Except Aleo Sola for the loaning of funds between the lender and a foreign company with 100% voting rights held directly and indirectly by the lender, the total loan amount is limited to 40% of the net worth of the lender. Aleo Sola for the loaning of funds between the lender and a foreign company with 100%.

**Sino-American Silicon Products Inc. and its subsidiaries**  
**Endorsement and guarantee for others:**  
**From January 1 to December 31, 2016**

Attachment II

Unit: NT\$ Thousand

Endorsing company	Endorsed company		Endorsement limit to a single company	Maximum endorsement and guarantee balance this period	Endorsement balance at end of period	Amount of actual disbursement	Endorsement and guarantee with assets as collateral	Ratio of accumulated endorsement and guarantee to the net worth or the most recent financial statement	Maximum amount for guarantee	Endorsement and guarantee by the parent company to its subsidiaries	Endorsement and guarantee by the subsidiaries to parent company	Endorsement and guarantee to companies in Mainland China.
	Company Name	Relationship										
Sino-American Silicon Products Inc.	GWJ	Transfer investment company of Sino-American Silicon Products Inc.	2,089,854	165,181 (JPY 525,551)	-	-	-	-	10,492.71	Y	N	N
Sino-American Silicon Products Inc.	SAS Sunrise Inc.	Ditto	2,089,854	322,500 (USD10,000)	322,750 (USD10,000)	258,000 (USD8,000)	-	1.54%	10,492.71	Y	N	N
Sino-American Silicon Products Inc.	SAS Sunrise Pte. Ltd.	Ditto	2,089,854	1,338,000 (USD40,000)	1,290,000 (USD40,000)	-	-	6.17%	10,492.71	Y	N	N
Sino-American	Sulu	Ditto		1,903,500	1,483,500	1,480,985	-	7.10%			N	N

Endorsing company	Endorsed company		Endorsement limit to a single company	Maximum endorsement and guarantee balance this period	Endorsement balance at end of period	Amount of actual disbursement	Endorsement and guarantee with assets as collateral	Ratio of accumulated endorsement and guarantee to the net worth or the most recent financial statement	Maximum amount for guarantee	Endorsement and guarantee by the parent company to it subsidiaries	Endorsement and guarantee by the subsidiaries to parent company	Endorsement and guarantee to companies in Mainland China.
	Company Name	Relationship										
n Silicon Products Inc.				(USD60,000)	(USD46,000)	(USD45,922)						
Sino-American Silicon Products Inc.	Aleo Solar	Ditto	2,089,854	708,000 (EUR20,000)	678,000 (EUR20,000)	-	-	3.24 %	10,449,271	Y	N	N
Sino-American Silicon Products Inc.	SSR	Ditto	2,089,854	1,000,000	1,000,000	63,441	-	4.79 %	10,449,072	Y	N	N
Sino-American Silicon Products Inc.	Ming Yang Co. Ltd.	The company is responsible for the directors of Sino-American Silicon Company	187,609	64,207	-	-	-	-	187,609	-	-	-
Global wafers Co.,	GWJ	Transfer investment	6,309,882	314,300 (JPY 1,000,0	275,600 (JPY 1,000,0	-	-	1.75%	7,887,35	Y	N	N

Endorsing company	Endorsed company			Maximum endorsement and guarantee balance this period	Endorsement balance at end of period	Amount of actual disbursement	Endorsement and guarantee with assets as collateral	Ratio of accumulated endorsement and guarantee to the net worth or the most recent financial statement	Maximum amount for guarantee	Endorsement and guarantee by the parent company to its subsidiaries	Endorsement and guarantee by the subsidiaries to parent company	Endorsement and guarantee to companies in Mainland China.
	Company Name	Relationship	Endorsement limit to a single company									
Ltd.		company of Globalwafers Co. Ltd.		00)	00)				2			
Global wafers Co., Ltd.	SSBV	Transfer investment company of Globalwafers Co. Ltd.		6,450,000 (USD 200,000)	6,450,000 (USD 200,000)	6,450,000 (USD 200,000)	-	40.89 %	7,887,352	Y	N	N



**Sino-American Silicon Products Inc. and its subsidiaries**  
**Marketable securities held at end of period**  
**(not including subsidiary invested, affiliated companies and the jointly controlling portion)**  
**December 31, 2016**

Attachment III

Unit: NT\$ Thousand /Thousand shares; thousand units

Companies owned	Type and names of marketable securities	Affiliation with marketable security issuers	Account titles	Number of shares	Ended		Fair value	Remarks
					Carrying Amount	Shareholding ratio		
Sino-American Silicon Products Inc.	Corporate bonds of CWT	Affiliated enterprises	Held to maturity financial assets - non-current	280	<u>281,400</u>	-	261,479	
Sino-American Silicon Products Inc.	Stock of Solartech Energy Corp.	Sino-American Silicon Products Inc. is the management of Solartech Energy Corp.	Financial assets in available-for-sale—non-current	29,480	445,155	7.94%	445,155	
Sino-American Silicon Products Inc.	Stock of Actron Technology Corporation	Chairman of the company is also the Chairman of Sino-American Silicon Products Inc.	- Ditto -	2,129	216,125	2.84%	216,125	
					<u>661,280</u>			
Sino-American Silicon Products Inc.	Stock of SONGLONG ELECTRONIC S CO., LTD.	-	Financial assets measured at costs - non current	221	-	13.81%	-	
Sino-American	Stock of	-	- Ditto -	1,100	7,499	1.52%	-	

Companies owned	Type and names of marketable securities	Affiliation with marketable security issuers	Account titles	Number of shares	Ended		Fair value	Remarks
					Carrying Amount	Shareholding ratio		
n Silicon Products Inc.	Giga Epitaxy Technology Corp.							
Sino-American Silicon Products Inc.	Stock of 21-Century Silicon Inc	-	- Ditto -	1,000	-	7.74%	-	
Sino-American Silicon Products Inc.	Stock of Powertec Energy Corp.	-	- Ditto -	87,895	331,275	3.94%	-	
Sino-American Silicon Products Inc.	Stock of Sunshine PV Corp.	-	- Ditto -	3,399	29,367	4.98%	-	
SSTI	Stock of SILFAB SPA	-	- Ditto -	300	530,613	15.20%	-	
SSTI	Stock of Clean Venture 21 Corporation	-	- Ditto -	10	-	7.20%	-	
					<u>898,754</u>			



**Sino-American Silicon Products Inc. and its subsidiaries**  
**The cumulative purchase or sale of the same marketable security for an amount**  
**over NT\$300 million or 20% of the paid-in capital**  
**From January 1 to December 31, 2016**

Attachment IV

Unit: NT\$ Thousand / Thousand shares

Co mp ani es in the pur cha se and sale acti viti es	Type and names of market able securit es	Account titles	Counter party	Relati onshi p	Beginning		Bought		Sold			End of Period		
					Sh are s	Amou nt	S h are s	Amou nt	Sh are s	Sellir g price	Carry ing cost	Dispo sition gain or loss	Shar es	Amo unt
Sino-American Silicon Products Inc.	Stock of Global wafers Co., Ltd.	Long-term investments (Equity method)	-	Subsidiaries directly held by Sino-American Silicon Products Inc.	24,629	11,155,306	-	-	24,000	1,704,569	557,528	603,220	222,293	9,496,429
Global wafers Co., Ltd.	Stock of Topsil	Long-term investments (Equity method)	Topsil Semiconductor Material A/S	No	-	-	1,000	1,964,069	-	-	-	-	1,000	1,964,069

Companies in the purchase and sale activities	Type and names of marketable securities	Account titles	Counter party	Relationship	Beginning		Bought		Sold			End of Period		
					Shares	Amount	Shares	Amount	Shares	Selling price	Carrying cost	Disposition gain or loss	Shares	Amount
G Wafers Singapore	Stock of SSL	Long-term investments (Equity method)	Original shareholder	No	-	-	40,318	16,660,490	-	-	-	-	40,318	16,660,490
G Wafers Singapore	Stock of SSL	Long-term investments (Equity method)	GTI	Affiliated enterprises	-	-	2,074	790,743	-	-	-	-	2,074	790,743
GTI	Stocks of companies overseas	Financial assets — available-for-sale — non-current	G Wafers Singapore	Affiliated enterprises	2,074	533,741	-	-	2,074	790,743	533,741	257,002	-	-

Note: It includes equity investment gains and losses recognized currently and cumulative translation adjustment.

**Sino-American Silicon Products Inc. and its subsidiaries**  
**Acquisition of individual real estate properties at costs of at least**  
**NT\$300 million or 20% of the paid-in capital**  
**From January 1 to December 31, 2016**

Attachment V

Unit: NT\$ Thousand

Get not Movable property the company	property name	The date of fact	Amount	Price support To pay the situation	Trading partners	Relationshi p	The transaction object is the person concerned, the previous transfer of information				Price decision basis	The purpose and use of the situation	Other agreed matters
							owner	With issuer relationship	the The Transfer date	Amount			
Sino- American Silicon Products Inc.	Land	October 2016	403,510	-	Ministry of Economic Affairs, Longde (and Lize) industrial zone	No	-	-	-	-	fair value	operationa l use	N O
Globalwafers Co., Ltd.	Real estate and plant	July 2016	469,860	-	Topsil	No	-	-	-	-	fair value	operationa l use	N O
GWafers Singapore	Real estate and plant	Decembe r 2016	6,832,39 3	-	SLL	No	-	-	-	-	fair value	operationa l use	N O

**Sino-American Silicon Products Inc. and its subsidiaries**  
**Purchases or sales with related parties amounting to over NT\$100 million or 20% of the paid-in capital**  
**From January 1 to December 31, 2016**

Attachment VI

Unit: NT\$ Thousand

Companies to make purchase (sale)	Name of the trading counter party	Relationship	Status of transaction				Special terms and conditions of trade and reasons		Notes receivable (payable), accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	Percentage to total purchase (sales)	Credit term	Unit price	Credit term	Balance	Total percentage of the accounts and notes receivable (payable) (%)	
Sino-American Silicon Products Inc.	Solartech Corp.	EnergySino-American Silicon Products Inc. is the management of Solartech Energy Corp.	Sales	(1,511,760)	(15%)	Net 45 days	-	-	131,172	12%	
Aleo Solar	Sino-American Silicon Products Inc.	Subsidiaries directly held by Sino-American Silicon Products Inc.	Purchase	(Note)	-	Net 90 days	-	-	(169,045)	-	
Aleo Sunrise	Sino-American Silicon Products Inc.	Subsidiaries directly held by Sino-American Silicon Products Inc.	Purchase	(Note)	-	Net 90 days	-	-	(139,042)	-	
Aleo Distribuzione S.r.l	Solar Italia	Aleo Solar Subsidiaries directly held by Sino-American Silicon Products Inc.	Purchase	288,315	12%	Net 60 days	-	-	(88,280)	(18)%	
Globalwafers Ltd.	Co. Sino-American Silicon Products Inc.	Subsidiaries directly held by Sino-American Silicon Products Inc.	Purchase	385,830	4%	O/A 60 days	-	-	(220,905)	(12)%	
Globalwafers Ltd.	Co. GTI	Subsidiaries directly held by Sino-American Silicon Products Inc.	Purchase	1,003,410	10%	O/A 60 days	-	-	(118,321)	(6)%	
Globalwafers Ltd.	Co. KUNSHAN SILICON TECHNOLOGY CO. LTD.	SINCSubsidiaries directly held by Sino-American Silicon	Purchase	1,770,573	18%	O/A 60 days	-	-	(318,956)	(17)%	

Companies to make purchase (sale)		Name of the trading counter party	Relationship	Status of transaction			Special terms and conditions of trade and reasons		Notes receivable (payable), accounts receivable (payable)		Remarks
				Purchase (sales)	Amount	Percentage to total purchase (sales)	Credit term	Unit price	Credit term	Balance	
Globalwafers Ltd.	Co. GWJ	Products Inc. Subsidiaries directly held by Sino-American Silicon Products Inc.	Purchase	5,110,592	53%	O/A 60 days	-		(1,092,536)	(57)%	

Companies to make purchase (sale)	Name of the trading counter party	Relationship	Status of transaction				Special terms and conditions of trade and reasons		Notes receivable (payable), accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	Percentage to total purchase (sales)	Credit term	Unit price	Credit term	Balance	Total percentage of the accounts and notes receivable (payable) (%)	
GTI	Globalwafers Ltd.	Co. Subsidiaries directly held by Sino-American Silicon Products Inc.	Purchase	2,384,335	35%	O/A 60 days	-	-	(588,067)	(29)%	
Kunshan silicon technology Co., Ltd.	sinc Globalwafers Ltd.	Co. Subsidiaries directly held by Sino-American Silicon Products Inc.	Purchase	947,160	14%	O/A 60 days	-	-	(51,297)	(2)%	
GWJ	Globalwafers Ltd.	Co. Subsidiaries directly held by Sino-American Silicon Products Inc.	Purchase	1,186,025	18%	O/A 60 days	-	-	(211,762)	(10)%	
Actron Technology Corporation	Globalwafers Ltd.	Co. Chairman of the company is also the Chairman of Sino-American Silicon Products Inc.	Purchase	245,560	4%	O/A 60 days	-	-	(74,253)	(4)%	

Note: Sino-American Silicon Products Inc sells directly to the related parties. As the sales are deemed as inventory transfer, the sales revenues and related costs are offset in the financial reports and not deemed as sales and costs of Sino-American Silicon Products Inc.

**Sino-American Silicon Products Inc. and its subsidiaries**  
**Receivables from related parties for an amount over NT\$100 million or 20% of the paid-in capita**  
**December 31, 2016**

Attachment VII

Unit: NT\$ Thousand

Account receivable company	Name of the trade counterpart	Relationship	Receivables from related parties	Turnover rate	Overdue receivables from related parties		Receivables from related parties with amount received after the reporting date (note)	Allowance for bad debt
					Amount	Process		
Sino-American Silicon Products Inc.	Solartech Energy Corp.	Sino-American Silicon Products Inc. is the key management of Solartech Energy Corp.	131,172	10.1	-	-	129,939	-
Sino-American Silicon Products Inc.	Aleo Solar	Subsidiaries directly held by Sino-American Silicon Products Inc	169,045	-	-	-	119,855	-
Sino-American Silicon Products Inc.	Aleo Sunrise	Subsidiaries directly held by Sino-American Silicon Products Inc	139,042	-	-	-	82,418	-
Sino-American Silicon Products Inc.	Globalwafers Co., Ltd.	Subsidiaries directly held by Sino-American Silicon Products Inc	220,905	-	-	-	174,726	-
Sino-American Silicon Products Inc.	Sulu	Subsidiaries directly held by Sino-American Silicon Products Inc	394,821	Note3	-	-	-	-
SSTI	Sulu	Subsidiaries directly held by Sino-American Silicon Products Inc	217,688	Note 3	-	-	-	-
SSTI	AMLED	Subsidiaries directly held by Sino-American Silicon Products Inc	217,688	Note 3	-	-	-	-
Aleo Solar	Aleo Sunrise	Subsidiaries directly held by Sino-American Silicon Products Inc	237,300	Note 3	-	-	-	-
SAS Sunrise Inc.	Sulu	Subsidiaries directly held by Sino-American Silicon Products Inc	258,000	Note 3	-	-	-	-

Account receivable company	Name of the trade counterpart	Relationship	Receivables from related parties	Turnover rate	Overdue receivables from related parties		Receivables from related parties with amount received after the reporting date (note)	Allowance for bad debt
					Amount	Process		
Sulu	AMLED	Subsidiaries directly held by Sino-American Silicon Products Inc	110,038	Note 3	-	-	-	-
Globalwafers Co., Ltd.	GTI	Subsidiaries directly held by Sino-American Silicon Products Inc	588,067	3.4	-	-	402,017	-
Globalwafers Co., Ltd.	GWJ	Subsidiaries directly held by Sino-American Silicon Products Inc	211,762	5.6	-	-	182,332	-
Globalwafers Co., Ltd.	SSBV	Subsidiaries directly held by Sino-American Silicon Products Inc	566,091	Note 3	-	-	-	-
GTI	Globalwafers Co., Ltd.	Subsidiaries directly held by Sino-American Silicon Products Inc	118,321	14.8	-	-	97,800	-
Kunshan sino silicon technology Co., Ltd.	Globalwafers Co., Ltd.	Subsidiaries directly held by Sino-American Silicon Products Inc	318,956	6.0	-	-	249,308	-
GWJ	Globalwafers Co., Ltd.	Subsidiaries directly held by Sino-American Silicon Products Inc	1,092,536	4.8	-	-	788,887	-
GWJ	Globalwafers Co., Ltd.	Subsidiaries directly held by Sino-American Silicon Products Inc	1,378,000	Note 3	-	-	-	-
SSL	Globalwafers Co., Ltd.	Subsidiaries directly held by Sino-American Silicon Products Inc	1,631,850	Note 2	-	-	1,631,850	-
SSL	MEMC Japan	Subsidiaries directly held by Sino-American Silicon Products Inc	493,529	4.1	-	-	119,257	-
SSL	MEMC Korea	Subsidiaries directly held by Sino-American Silicon Products Inc	421,907	3.0	-	-	-	-
SSL	Taisil	Subsidiaries directly held by Sino-American Silicon Products Inc	765,651	3.0	-	-	-	-
SSL	SunEdison LLC	Subsidiaries directly held by Sino-American Silicon Products Inc	4,890,844	1.7	-	-	33,638	-
SSL	MEMC SpA	Subsidiaries directly held by Sino-American Silicon Products Inc	464,139	9.3	-	-	-	-



Account receivable company	Name of the trade counterpart	Relationship	Receivables from related parties	Turnover rate	Overdue receivables from related parties		Receivables from related parties with amount received after the reporting date (note)	Allowance for bad debt
					Amount	Process		
MEMC SpA	SSL	Subsidiaries directly held by Sino-American Silicon Products Inc	286,322	10.0	-	-	-	-
MEMC SpA	SSL	Subsidiaries directly held by Sino-American Silicon Products Inc	2,410,191	Note 3	-	-	-	-
SSBV	MEMC Korea	Subsidiaries directly held by Sino-American Silicon Products Inc	1,212,846	Note 3	-	-	-	-
SSBV	MEMC SpA	Subsidiaries directly held by Sino-American Silicon Products Inc	248,516	Note 3	-	-	-	-
SSBV	SSL	Subsidiaries directly held by Sino-American Silicon Products Inc	1,967,090	Note 3	-	-	-	-
SunEdison LLC	MEMC Japan	Subsidiaries directly held by Sino-American Silicon Products Inc	348,750	1.0	-	-	-	-
SunEdison LLC	MEMC Korea	Subsidiaries directly held by Sino-American Silicon Products Inc	261,694	1.6	-	-	-	-
SunEdison LLC	MEMC SpA	Subsidiaries directly held by Sino-American Silicon Products Inc	171,410	1.8	-	-	-	-
SunEdison LLC	SSL	Subsidiaries directly held by Sino-American Silicon Products Inc	589,145	0.6	-	-	-	-
MEMC Korea	SunEdison LLC	Subsidiaries directly held by Sino-American Silicon Products Inc	338,830	0.2	-	-	-	-
MEMC Korea	SSL	Subsidiaries directly held by Sino-American Silicon Products Inc	1,214,926	2.0	-	-	-	-
MEMC Japan	SSL	Subsidiaries directly held by Sino-American Silicon Products Inc	464,102	3.5	-	-	464,102	-
MEMC Sdn Bhd	SSL	Subsidiaries directly held by Sino-American Silicon Products Inc	240,593	7.6	-	-	240,593	-

Account receivable company	Name of the trade counterpart	Relationship	Receivables from related parties	Turnover rate	Overdue receivables from related parties		Receivables from related parties with amount received after the reporting date (note)	Allowance for bad debt
					Amount	Process		
MEMC Ipoh	SSL	Subsidiaries directly held by Sino-American Silicon Products Inc	727,192	2.8	-	-	94,532	-
Taisil	SunEdison LLC	Subsidiaries directly held by Sino-American Silicon Products Inc	123,906	0.3	-	-	75,228	-
Taisil	MEMC Ipoh	Subsidiaries directly held by Sino-American Silicon Products Inc	403,125	Note 3	-	-	-	-
Taisil	SSL	Subsidiaries directly held by Sino-American Silicon Products Inc	12,508,978	Note 3	-	-	-	-
Taisil	SSL	Subsidiaries directly held by Sino-American Silicon Products Inc	1,536,057	1.1	-	-	354,155	-

Note: as of March 6, 2017, the amount received after the reporting date.

Note 2 : The amount of receivables arising from the sale of intangible assets .

Note 3 : Department of financial affairs generated by the relationship between the receivables

**Sino-American Silicon Products Inc. and its subsidiaries**  
**Reinvestment information (not including investments in Mainland China)**  
**From January 1 to December 31, 2016**

Attachment VIII

Unit: NT\$ Thousand / Thousand shares

Name of investing company	Name of invested company	Area	Main Business	The amount of the original investment		Shareholdings at end of period			Net income (loss) of the invested company	Investment gains and losses recognized in the current period	Remarks
				End of this period	The end of last year	Shares	Ratio	Carrying Amount			
Sino-American Silicon Products Inc.	SSTI	British Virgin Islands	The holding company of Sino-American Silicon Products Inc. for overseas investments	1,425,603 (USD45,255)	1,425,603 (USD45,255)	48,526	100.00%	1,118,913	(9,893)	(9,893)	subsidiary (Note 1)
Sino-American Silicon Products Inc.	Globalwafers Co., Ltd.	Taiwan	Semiconductor silicon wafer materials and components manufacturing and trade	8,864,946	9,822,066	222,293	60.20%	9,496,429	939,485	637,675	subsidiary
Sino-American Silicon Products Inc.	Crystalwise Technology Inc.	Taiwan	Optical wafer and substrate manufacturing and trade	2,010,843	2,010,843	84,848	40.07%	1,112,819	(817,520)	(340,210)	Affiliated enterprises (Note 3)
Sino-American Silicon Products Inc.	Sino-American Materials Co., Ltd.	Taiwan	EVA film for solar modules manufacturing and sale	90,000	90,000	9,000	90.00%	35,848	(26,299)	(23,669)	subsidiary
Sino-American Silicon Products Inc.	Accu Solar Corporation	Taiwan	Solar cell module manufacturing	112,193	112,193	7,452	24.70%	77,251	(28,175)	(42,055)	Other person
Sino-American Silicon Products Inc.	Aleo Solar	Prenzlau	Solar cell manufacturing and sale and wholesale of electronic	558,139 (EUR13,500)	558,139 (EUR13,500)	註 2	100.00%	392,484	(65,824)	(65,824)	subsidiary (Note 3)
Sino-American Silicon Products Inc.	SAS Inc.	Sunrise Cayman	Reinvestments in various businesses	794,373 (USD24,500)	794,373 (USD24,500)	24,500	100.00%	774,265	21,062	21,062	subsidiary
Sino-American Silicon Products Inc.	SPW	Taiwan	Power generating business	300,000	5,000	30,000	100.00%	293,346	(6,654)	(6,654)	subsidiary

Name of investing company	Name of invested company	Area	Main Business	The amount of the original investment		Shareholdings at end of period			Net income (loss) of the invested company	Investment gains and losses recognized in the current period	Remarks
				End of this period	The end of last year	Shares	Ratio	Carrying Amount			
Sino-American Silicon Products Inc.	Thai Energy	Asahi Taiwan	Power generating business	1,000	-	100	100.00%	1,000	-	-	subsidiary
SPW	SPV1	Taiwan	Power generating business	2,000	-	200	100.00%	1,524	(476)	-	sub-subsidiary (company)
SAS Sunrise Inc.	SAS Pte. Ltd.	Sunrise Singapore	Reinvestments in various businesses	719,292 (USD22,000)	719,292 (USD22,000)	30,934	100.00%	734,958	21,992	-	sub-subsidiary (company)
SAS Sunrise Pte. Ltd.	Sulu	Philippines	Power generating business	440,667 (USD13,435)	440,667 (USD13,435)	420,000	40.00%	443,736	9,010	-	sub-subsidiary (company)
SAS Sunrise Pte. Ltd.	AMLED	Philippines	Reinvestments in various businesses	-	-	-	-	-	(9,059)	-	sub-subsidiary (company) (Note 4)
AMLED	Sulu	Philippines	Power generating business	297,229 (USD9,065)	297,229 (USD9,065)	472,500	45.00%	302,239	9,010	-	sub-subsidiary (company)
Aleo Solar	Aleo Distribuzione Italia S.r.l	Solar Italy	Solar cell manufacturing and sale and wholesale of electronic	4,078 (EUR100)	4,078 (EUR100)	(Note 2)	100.00%	2,775	(7,580)	-	sub-subsidiary (company)
Aleo Solar	Aleo Sunrise	Germany	Solar cell manufacturing and sale and wholesale of electronic	91,250 (EUR2,500)	863 (EUR25)	(Note 2)	100.00%	(45,908)	(130,823)	-	sub-subsidiary (company)
Globalwafers Co.	GWI	Cayman	Reinvestments in various businesses	2,241,668 (USD73,423)	2,241,668 (USD73,423)	90,000	100.00%	3,539,870	57,788	-	sub-subsidiary (company)
Globalwafers Co.	GSI	Cayman	Reinvestments in various businesses	756,809 (USD26,555)	756,809 (USD26,555)	25,000	100.00%	941,279	67,882	-	sub-subsidiary (company)

Name of investing company	Name of invested company	Area	Main Business	The amount of the original investment		Shareholdings at end of period			Net income (loss) of the invested company	Investment gains and losses recognized in the current period	Remarks
				End of this period	The end of last year	Shares	Ratio	Carrying Amount			
Globalwafers Co.	GWafers	Japan	Reinvestments in various businesses	5,448,015 (JPY13,827,513)	5,448,015 (JPY13,827,513)	(Note 2)	100.00%	9,460,291	918,344	-	sub-subsidiary (company)
Globalwafers Co.	GWafers Singapore	Singapore	Reinvestments in various businesses	17,504,000 (USD550,000)	-	550,000	100.00%	16,779,342	(744,986)	-	sub-subsidiary (company)
Globalwafers Co.	Topsil A/S	Denmark	Semiconductor Wafer Manufacturing and Trading	(Note 5)	-	1,000	100.00%	1,735,192	(146,057)	-	sub-subsidiary (company) (Note 3)
GWl	GTl	Texas	Epitaxial silicon wafer production and epitaxial OEM and other trade	2,241,668 (USD73,423)	2,241,668 (USD73,423)	1	100.00%	3,539,870	73,937	-	sub-subsidiary (company) (Note 3)
GWafers	GWJ	Japan	Semiconductor Wafer Manufacturing and Trading	5,484,300 (JPY13,142,798)	5,484,300 (JPY13,142,798)	128	100.00%	9,452,298	475,716	-	sub-subsidiary (company) (Note 3)
Topsil A/S	Topsil PL	Poland	Semiconductor Wafer Manufacturing and Trading	(Note 5)	-	1	100.00%	(46,388)	(56,594)	-	sub-subsidiary (company)
GWafers Singapore	SSL	Singapore	Investment, marketing and trading business	17,451,233	-	42,392	100.00%	16,681,956	(739,168)	-	sub-subsidiary (company) (Note 3)
SSL	SSBV	Netherlands	Reinvestments in various businesses	(Note 6)	-	0.1	100.00%	30,288,122	(217,823)	-	sub-subsidiary (company)
SSL	SSTPL	Singapore	Reinvestments in various businesses	(Note 6)	-	0.001	100.00%	-	-	-	sub-subsidiary (company)
SSBV	MEMC Japan	Japan	Semiconductor silicon	(Note 6)	-	-	100.00%	220,989	649	-	sub-

Name of investing company	Name of invested company	Area	Main Business	The amount of the original investment		Shareholdings at end of period			Net income (loss) of the invested company	Investment gains and losses recognized in the current period	Remarks
				End of this period	The end of last year	Shares	Ratio	Carrying Amount			
			wafer manufacturing and sales								subsidiary (company)

Name of investing company	Name of invested company	Area	Main Business	The amount of the original investment		Shareholdings at end of period			Net income (loss) of the invested company	Investment gains and losses recognized in the current period	Remarks
				End of this period	The end of last year	Shares	Ratio	Carrying Amount			
SSBV	MEMC SpA	Italy	Semiconductor silicon wafer manufacturing and sales	(Note 6)	-	65,000	100.00 %	7,307,106	(176,688)	-	sub - subsidiary (company)
MEMC SpA	MEMC SarL	France	Trading business	(Note 6)	-	0.5	100.00 %	1,691	(2,497)	-	sub - subsidiary (company)
MEMC SpA	MEMC GmbH	Germany	Trading business	(Note 6)	-	0.002	100.00 %	4,510	(73)	-	sub - subsidiary (company)
MEMC SpA	MEMC BV	Netherlands	Reinvestments in various businesses	(Note 6)	-	0.2	100.00 %	1,288,506	(90,269)	-	sub - subsidiary (co

Name of investing company	Name of invested company	Area	Main Business	The amount of the original investment		Shareholdings at end of period			Net income (loss) of the invested company	Investment gains and losses recognized in the current period	Remarks
				End of this period	The end of last year	Shares	Ratio	Carrying Amount			
MEMC BV	MEMC Korea	Korea	Semiconductor silicon wafer manufacturing and sales	(Note 6)	-	6,880	40.00%	1,290,678	(215,265)	-	company subsidiary (company)
SSBV	MEMC Korea	Korea	Semiconductor silicon wafer manufacturing and sales	(Note 6)	-	10,320	60.00%	2,076,582	(215,265)	-	company subsidiary (company)
SSBV	SunEdison LLC	United States	Semiconductor silicon wafer R & D, manufacturing and sales	(Note 6)	-	1	10.00%	3,371,238	(785,309)	-	company subsidiary



Name of investing company	Name of invested company	Area	Main Business	The amount of the original investment		Shareholdings at end of period			Net income (loss) of the invested company	Investment gains and losses recognized in the current period	Remarks
				End of this period	The end of last year	Shares	Ratio	Carrying Amount			
SSBV	MEMC Sdn Bhd	Malaysia	Semiconductor silicon wafer R & D, manufacturing and sales	(Note 6)	-	1,036	100.00%	1,131,880	(23,868)	-	(company) subsidiary (company) subsidiary (company) subsidiary (company)
SSBV	SSHBV	Netherlands	Reinvestments in various businesses	(Note 6)	-	0.1	100.00%	8,081,774	-	-	(company) subsidiary (company) subsidiary (company) subsidiary (company)

Name of investing company	Name of invested company	Area	Main Business	The amount of the original investment		Shareholdings at end of period			Net income (loss) of the invested company	Investment gains and losses recognized in the current period	Remarks
				End of this period	The end of last year	Shares	Ratio	Carrying Amount			
SSBV	Taisil	Taiwan	Semiconductor silicon wafer manufacturing and sales	(Note 6)	-	252,770	54.95%	11,142,092	38,019	-	subsidiary (company)
SSHBV	Taisil	Taiwan	Semiconductor silicon wafer manufacturing and sales	(Note 6)	-	207,046	45.01%	9,116,257	38,019	-	subsidiary (company)
SSHBV	MEMC Ipoh	Malaysia	Semiconductor silicon wafer manufacturing and sales	(Note 6)	-	699,374	10.00%	(1,034,480)	8,750	-	subsidiary (company)

Name of investing company	Name of invested company	Area	Main Business	The amount of the original investment		Shareholdings at end of period			Net income (loss) of the invested company	Investment gains and losses recognized in the current period	Remarks
				End of this period	The end of last year	Shares	Ratio	Carrying Amount			

any)

Note 1: The initial investment amount does not include capitalization from earnings.

Note 2: It is a Limited Company

Note 3: The recognition of investment gains and losses includes investment cost and the amortization amount of the net equity acquired.

Note 4: even the merged company does not hold any equity interest in AMLED, per the agreed terms signed it may control the finance and strategy of this company and obtain all interests derived from its operations and net assets. As a consequence AMLED is deemed as a subsidiary of the Company.

Note 5: Merger of the current acquisition of the company Topsil A/S and Topsil PL, total investment amount 1,964,069 thousand (DKK407,600 thousand) °

Note 6: Merger of the current acquisition of the company SSL and its subsidiaries, total investment amount 17,451,233 thousand (USD546,975 thousand) °

**Sino-American Silicon Products Inc. and its subsidiaries**  
**The overview of the investments in Mainland China and the limitations of the investments in Mainland China**  
**From January 1 to December 31, 2016**

Attachment IX

(I) Information of investments in Mainland China

Unit: NT\$ Thousand

Names of investees in Mainland China	Main Business	Paid-in Capital	Investment Method	The cumulative amount of investment remitted from Taiwan as of the period began	Current remitted or recovered amount of investment		The cumulative amount of investment remitted from Taiwan as of the period began	Net income (loss) of the invested company	The shareholding ratio of Sino-American Silicon Products Inc. in the direct or indirect investments	Investment Profit or Loss for Current Period (Note 4)	Ending investment carrying amount	The investment income received as of the current period
					of which	Recovered						
KUNSHAN SINO SILICON TECHNOLOGY CO., LTD.	Silicon rods and silicon wafer processing and trade	769,177 (Note7)	(Note1)	713,300 (USD21,729)	-	-	713,300 (USD21,729)	58,924	60.20%	35,472	906,997	-
Sundisor Shanghai	Trading business	7,527 (RMB1,500)	(Note2)	(Note2)	-	-	(Note2)	220	60.20%	132	13,199	-
Shanghai Ge Luohu	Sales and marketing business	9,756 (RMB2,000)	(Note3)	-	-	-	-	(821)	36%	(296)	5,072	-

(II) The limitations of reinvestments in Mainland China

By company	The cumulative amount of investment remitted from Taiwan to Mainland China as of the period ended	Investment amount approved by the Investment Commission MOEAIC	Investment amount approved by the Investment Commission MOEAIC
Globalwafers Co., Ltd.	713,300 (USD21,729)	818,233 (USD25,000)(Note5)	9,491,101 (Note6)

Note 1: Investments in China through GSI

Note 2: Investments in China through SSBV

Note 3: Shanghai Ge Luohu Department through the Kunshan Zhongcheng its own funds to set up investment, no money from Taiwan, it is not included in the investment limit calculation.

Note 4: Investment gains and losses are recognized in accordance with the audited financial statements.

Note 5: Converted in accordance with the historical exchange rates.

Note 6: It is calculated by having the 60% limit stipulated in the "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China" by the Investment Commission MOEA on August 29, 2008 multiplied by the net worth of Globalwafers Co., Ltd. on December 31, 2016.

Note 7: It included capitalization from earnings.

**6.6 The Impact on the Company's Financial Status in Cases where the Company or its Affiliates have Financial Difficulties: None.**

## VII. Review of Financial Conditions, Operating Results, and Risk Management

### 7.1 Analysis of Financial Status

Unit: NTD \$1000

Item \ Year	2016	2015	Difference	
			Amount	%
Current Assets	30,143,619	19,281,427	10,862,192	56.34
Financial assets available-for-sale	661,280	1,373,871	(712,591)	(51.87)
Financial assets carried till due day	281,400	1,362,697	281,400	100
Financial assets carried at cost	898,754	1,606,867	(463,943)	(34.05)
Investment on equity method	1,190,070	18,904,724	(416,797)	(25.94)
Fixed Assets	41,397,828	701,566	22,493,104	118.98
Intangible assets	4,436,073	2,955,184	3,734,507	532.31
Other Assets	4,005,384	46,186,336	1,050,200	35.54
Total Assets	83,014,408	10,070,111	36,828,072	79.74
Current Liabilities	31,901,665	2,545,519	21,831,554	216.80
Long-term Liabilities	16,356,833	5,001,130	13,811,314	542.57
Other Liabilities	7,528,823	17,616,760	2,527,693	50.54
Total Liabilities	55,787,321	5,800,312	38,170,561	216.67
Capital	5,800,312	18,614,691	0	0.00
Capital Surplus	18,821,483	1,292,442	206,792	1.11
Retained Earnings	(740,873)	(2,550,828)	(2,033,315)	(157.32)
Equity - Other	(2,812,520)	(169,861)	(261,692)	10.26
Treasury Stock	(169,861)	5,582,820	0	0.00
Non-controlling Interests	6,328,546	28,569,576	745,726	13.36
Total Equity	27,227,087	28,569,576	(1,342,489)	(4.70)
Note 1 : Explain any major changes in assets, liabilities and equity totaling 20% or more or amounting to over NT\$10,000,000 or more over the past two years, their effect and future countermeasures:				

## 7.2 Analysis of Operating Results

### 7.2.1. Comparison Analysis of Business Results

Unit: NTD \$1000

	2016	2015	Percent Change	
			Increase (Decrease)	(%)
Total Net Revenues	31,599,040	28,269,357	3,329,683	11.78
Cost of Revenue	28,164,027	23,998,126	4,165,901	17.36
Gross Profit	3,435,013	4,271,231	(836,218)	(19.58)
Operating Expense	3,392,953	2,034,619	1,358,334	66.76
Operating Profit	42,060	2,236,612	(2,194,552)	(98.12)
Non-Operating Income and Expense	(898,438)	(276,431)	(622,007)	225.01
Profit before Tax	(856,378)	1,960,181	(2,816,559)	(143.69)
Income Tax Expense	432,628	903,779	(471,151)	(52.13)
Profit for the Period	(1,289,006)	1,056,402	(2,345,408)	(222.02)
Comprehensive Income for the Period	(1,617,416)	1,219,342	(2,836,758)	(232.65)

#### Analysis of changes in these ratios:

1. Total Net Revenues: Acquisition of Topsil and SunEdison accounted for the revenues increase.
2. Gross Profit: Acquisition of Topsil and SunEdison accounted for the cost increase.
3. Operating Expense: Acquisition of Topsil and SunEdison accounted for the operating expense increase.
4. Operating Profit: Increases in operating cost and operating expense accounted for the operating profit decline.
5. Non-Operating Income and Expense: Recognition of loss and repayment of loan accounted for the extra expenses.
6. Profit before Tax: Increases in operating cost, operating expense and recognition of loss accounted for the operating profit decline.
7. Income Tax Expense: Deferred income increase in 2016 accounted for the income tax decrease.
8. Profit for the Period: Increases in operating cost, operating expense and recognition of loss accounted for the operating profit decline.
9. Comprehensive Income for the Period: Increases in operating cost and operating expense accounted for the operating profit decline.

## 7.3 Analysis of Cash Flow

### 7.3.1 Liquidity Analysis for the Recent Two Years

Item	2016	2015	Change (%)
Current Ratio (%)	16.26%	(7.11) %	NA
Cash Flow Adequacy Ratio (%)	(5.41)%	(6.95)%	22%
Cash Flow Reinvestment Ratio (%)	(0.22)%	(3.88)%	94%

Analysis of changes in these ratios:

1. The cash flow ratio increase over the previous period mainly due to the decrease from receivable notes and accounts in 2016 that resulted in net inflows from operating activities.
2. The cash flow adequacy ratio increased over the previous period mainly due to the decrease from receivable notes and accounts in 2016 that resulted in net inflows from operating activities.
3. The cash flow reinvestment ratio increased over the previous period mainly due to the decrease from receivable notes and accounts in 2016 that resulted in net inflows from operating activities.

### 7.3.2 Cash Liquidity Analysis for the Following Year

Unit: NTD \$1000

Initial cash balance	Annual operating net cash flow	Annual net cash outflow	Amount of cash surplus (shortfall)	Remedial measures for Cash shortfall	
				Investment plan	Financial plan
9,269,460	1,741,432	(1,466,839)	9,544,053	—	Bank Loan

#### 1. 2017 cash flow analysis:

- A. Operating activities: the solar boom slowing down yet the operating of semiconductor business remaining stable, the Company expects to generate a net cash inflow within the year.
- B. Investment activities: the Company plans to receive cash dividends from investment companies to pay for domestic investments, capital expense and dividend distribution of which the surplus may be inadequate.
- C. Financing activities: net cash outflow mainly from long-term loans refund.

#### 2. Remedy measures for expected capital shortfalls and liquidity analysis: NA

## 7.4 Major Capital Expenditure Items influence on Financial Business

### 7.4.1 Major Capital Expenditure Items and Source of Capital: NA

### 7.4.2 Forecast possible resulting effects: NA



## 7.5 Recent Reinvestment Policy, Major Reasons for Profits or Losses, Improvement Plan and Investment Plan for the Following Year

### 1.Reinvestment policy

The Company's reinvestment policy is gradually implemented based on the Company's future operating direction. At this stage, the focus has been on strategic alliance or reinvestment of high-value section in solar industrial chain for operating synthesis.

### 2.Major reasons for reinvestment profits or losses, improvement plans and investment plan for the following year:

Unit: NTD \$1000

Reinvested Company	2016 Profits (Losses) Recognized	Major Reasons For Profits or Losses	Improvement Plan	Investment Plant For Following Year
Sino Silicon Technology Inc.	(9,893)	Exchange loss from certificate deposit	To reduce the exchange loss by conducting hedge merchandise	None
GlobalWafers Co., Ltd.	637,675	Profit gained from booming market demands	None	None
Aleo Solar GmbH	(65,824)	Loss out of the market and price decline	Accelerating the development of niche products to add additional value	None
Aleo Solar Distribuzion Italia S.r.l.	(7,580)	Loss out of the market and price decline	To develop new customers and cultivate new regions as India and Southeast Asia etc.	None
Aleo Sunrise GmbH	(130,823)	Loss out of the market and price decline	Accelerating the development of niche products to add additional value	None
Sino-American Materials Corp.	(23,669)	Loss out of the market and price decline	None	None
SAS Sunrise Inc.	21,062	Overseas power plant	None	None
SAS Sunrise Pte. Ltd.	21,992	Overseas power plant	None	None
Sulu Electric Power and Light Inc. (SPV)	7,657	Unconfirmed power rate of overseas power plants	Search for investment partner to join forces with and connect to local power company to set up the power rate as soon as possible.	None
Sunrise PV World Co.	(6,654)	The amount of domestic power plant construction is unable to cover the operating expense yet	Expand the construction of domestic power plant and enhance downstream export so as to obtain long-term stable profit and operating scale.	None
Sunrise PV One Co., Ltd.	(476)	Initial operating	None	None
Cathay Sunrise Corporation	0	Under construction	None	None
GlobalSemiconductor Inc.	67,882	Operation conditions are normal	None	None
GlobalWafers Inc.	57,788	Operation conditions are normal	None	None
GWafers Inc.	918,344	Operation conditions are	None	None

		normal		
Kunshan Sino Silicon	58,924	Operation conditions are normal	None	None
GlobiTech Incorporated	57,788	Operation conditions are normal	None	None
GlobalWafers Japan Co., Ltd.	918,779	Operation conditions are normal	None	None
Topsil GlobalWafers A/S	(144,673)	Operation conditions are normal	None	None
GWafers Singapore Pte. Ltd.	(744,986)	Operation conditions are normal	None	None
Topsil Semiconductor sp z o.o.	(56,594)	Operation conditions are normal	None	None
SunEdison Semiconductor Limited	(744,832)	Operation conditions are normal	None	None
SunEdison Semiconductor BV	(217,823)	Operation conditions are normal	None	None
SunEdison Semiconductor Technology Pte Ltd.	0	Operation conditions are normal	None	None
MEMC Japan Ltd.	649	Operation conditions are normal	None	None
MEMC Electronic Materials, SpA	(176,688)	Operation conditions are normal	None	None
MEMC Electronic Materials France SarL	(2,497)	Operation conditions are normal	None	None
MEMC Electronic Materials GmbH	(73)	Operation conditions are normal	None	None
MEMC Holding B.V.	(90,269)	Operation conditions are normal	None	None
MEMC Korea Company	(215,265)	Operation conditions are normal	None	None
SunEdison Semiconductor, LLC	(785,309)	Operation conditions are normal	None	None
MEMC Electronic Materials SDN BHD	(23,868)	Operation conditions are normal	None	None
SunEdison Semiconductor Holding BV	0	Operation conditions are normal	None	None
Taisil Electronic Materials Corp.	38,005	Operation conditions are normal	None	None
MEMC Ipoh Sdn Bhd	8,750	Operation conditions are normal	None	None
SunEdison Semiconductor Technology (Shanghai) Ltd	220	Operation conditions are normal	None	None
Shanghai GrowFast Semiconductor	(492)	Operation conditions are normal	None	None

Technology Co.,				
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## 7.6 Analysis of Risk Management

### 7.6.1 Corporate Structure For Risk Management

Board of Directors	Monitor government laws, review corporate regulations and ensure effectiveness of operation and risk management
President's office	Risk management of operation, laws, crisis evaluation and countermeasure
MIS	Risk management of Information Technology
Audit	Connection of operation goal, risk tolerance and strategy, actively assist affiliated risks of enterprise group.
Administration	Evaluate and assess interest rate, forex rate, finance, current, credit and human resources risks. Responsible for financial risks management and countermeasure.
Procurement	Carefully monitor to prevent monopoly and forcing up price, also cooperate with various suppliers for risk diversification
Sales	Assess market risks and take countermeasure; in charge of Accounts Receivables to secure orders.
Manufacturing	Manage production and quality, exception, utilization of raw materials, plant constructions and maintenances, expansion preparation and execution.
Research & Development	Risk management of product design and life cycle, and draft countermeasure.
<p>SAS has specific system to monitor production and manufacturing risk:  Responsible unit: RD analyzes rivals' patents via TIPS &amp; APQPS while developing new product; fabricate strategy to avoid patent conflict so as to ensure rights of SAS as well as clients. Keep up with technology trend to grasp insight of product life cycle. Manufacturing unit regularly review the possibility of adopting new process and improvement of present procedure according to product functions and complaints, so as to prevent risks.</p>	

### 7.6.2 Effect of Interest Rate, Exchange Rate Changes and Inflation on Company Profit / Losses and Countermeasures:

Item	2016 (NTD:1,000; %)
Net Interest Income	(55,256)
Net Forex Loss	(72,558)
Net Interest Income as percentage of net revenue	(0.53)%
Net Interest Income as percentage of Earnings Before Tax	3.47%
Net Forex Income as percentage of net revenue	(0.70)%
Net Forex Income as percentage of Earnings Before Tax	4.56%

### (1) Interest Rate

2016 short/long-term loans adopt floating interest rate, market rate variation also affects effective Interest rate and future cash inflow. One hiking market rate results in cash outflow of NTD\$11,245,000.

### (2) Exchange Rate

The company takes exports/ imports in foreign currency. Owing to changes in industry, almost all foreign currencies hedged in 2016. SAS severely monitors balance, no major influence on operation.

### (3) Inflation

As international oil prices continued to decline in these two years, low pricing for oil and materials reflected low impact on inflation level. Recovery from inflation showed in slow pace in Taiwan in 2015, so as the rebound trend of international oil prices. As few changes were found in SAS' procurement costs, in terms of production cost, inflation causes no major influence to the company.

## 7.6.3 Risks Associated with High-risk/High-leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions, major reasons for profit and losses and countermeasures:

The company does not engage in high risk, high leveraged transactions or derivative financial products. The Company has severe internal control and regulations upon derivative products, executing department also strictly review and monitor according to relevant governing regulations, causing no impact on operation. In response to subsidiary operating requirements, the Company does not lend any fund to other companies according to "Procedures for Endorsement and Guarantee" and "Procedures for Lending Funds to Other Parties" of the Company. The fund lending to its subsidiary for operating need amounted to NT\$905,850,000. The Company made endorsement and guarantees to subsidiaries in the aggregate amount of NTD 3,556,120 as of the date of this Annual Report.

## 7.6.4 Future Research & Development Projects and Corresponding Budget

Annual project	Progress	Additional research funds	Time for Mass production	Main factor to success
Ultra-high efficiency multi-crystalline black wafer technology	DW Reflection rate improved 22%	NT\$10 million	Jul, 2017	Wafer surface treatment technology and machine design
Solar multi-crystalline wafer diamond wire slicing.	Wafer strength >20% (Market supplier exist)	NT\$10 million	Sep, 2017	Slurry slicing machines modification/diamond wire research/slicing processes adjustment.
A6+ mc-si ingot growth technology	Cell efficiency reached 19.6%	NT\$10 million	Dec, 2017	Hot zone design and new innovative process design
Robust wafer	Wafer strength >20%	NT\$10 million	Dec., 2017	High strength technology and Patent innovation technology
Ultra-High efficiency P-type mono-crystalline Si solar cell	P-Type Mono-Si Celco cell efficiency improvement, 0.20%~0.40%	NT\$10 millions	Dec., 2017	Advanced Process Technology and Special Cell Design
Very High efficiency and Low LID P-Type Multi-crystalline Si solar	P-Type Multi Celco Efficiency ~19.20%	NT\$10 millions	Dec., 2017	Advanced Process Technology and Special Cell Design

cell				
Next Generation mono-cell	Under development	NT\$100millions	Q4, 2017	New process technology development and implementation.

#### **7.6.5 Impact of the Company's Financial Operations of Important Policies Adopted and Changes in the Local and International Legal Environment, and Countermeasures:**

Besides the daily operating in compliance with relevant laws and regulations at home and abroad, the company also pays attention to the policy development trend and changes in order to grasp the market environment changes with timely feasible countermeasures. So far as no significant changes have occurred at home and abroad to influence the financial status of the company.

#### **7.6.6 Impact of Technological Change and Industry Changes upon the Financial Standing of the Company and the Countermeasures:**

The 630 installation rush in China so far didn't substantially bring about any market recovery. Demand for mono-crystal made it run out of stock while prices for multi-crystal declined due to supply glut. In terms of the uncertain condition, the management intends to keep observing and taking the following measures:

- (1) Maintain the leading advantage in mono PERC cell efficiency and improve the quality of multi PERC cell efficiency so as to motivate customers' willing to change by providing further service with vertical integration.
- (2) Accelerate the development of new technology and new products to create core competitiveness.
- (3) Aggressively develop the strategic layout for solar power system in response to government's renewable energy policy by joining the new business followed after the installation rush. Investments from the group are expected to accumulate the capability of operation after the sale of power plants so as to further the scale overseas.

#### **7.6.7 Impact of Changes in Company Image on Crisis Management and Countermeasures:**

The company insists on the business guideline of Integrity, professional, team, innovation while it was established, with the principle of good faith, with a friendly, focused, positive and professional spirit, to stimulate the creativity of individuals, to show the company's unique culture according to good team-work, technology and management innovation. The company won the 2nd corporate governance rating "OTC companies ranked in the top five percent" performance on April, 2015 again, it witness how the company strives to transparency and sustainable management of the determination. Meanwhile, the company will continue to uphold the principle of good faith to show the blueprint of corporate governance, to strengthen the company constitution in order to improve the operating performance and practice of corporate social responsibility

#### **7.6.8 Expected Benefits and Possible Risks Associated With any Merger and Acquisitions:**

No any merger and acquisitions till the published date of this annual book.

#### **7.6.9 Expected Benefits and Possible Risks Associated with any Plant Expansion:**

In response to the growing demand for the market, the company will be cautious in expanding solar silicon wafers, cells and modules but improve technology, provide different products to shape the company's core competitive advantage, to accurate grasp of customer needs, to provide customers with a full range of products and services and win more business opportunities.

**7.6.10 Risks Associated with any Consolidation of Sales or Purchasing Operations: None**

**7.6.11 Effect and Risk of Large Sale or Transfer of Shares by Directors, Supervisors or Top Ten Shareholders and Countermeasures: None**

**7.6.12 The Impact of Change in Management and its Potential Risks: None**

**7.6.13 Litigation or Non-litigation Matters**

Major ongoing lawsuits, non-lawsuits or administrative lawsuit, ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings:

In March 2015, Hemlock Semiconductor Pte. Ltd. filed a lawsuit against the New York court of the United States to claim that the company in violation of part of raw materials of silicon supply content and requested for compensation. An agreement was made afterwards in May 2015 that SAS would purchase a certain amount of silicon materials from Hemlock Semiconductor Pte. Ltd. and its affiliated companies. The lawsuit will come to an conclusion on April 1, 2018.

**7.6.14 Other major risks and countermeasures:**

Key performance Indicator, KPI

Being an manufacturer, below KPI are crucial:

**1. Finance**

2016 accounts receivable rate – 4.29

Accounts payable rate –85.08

Inventory turnover rate – 3.64

Fixed asset turnover rate – 1.05

Total asset turnover rate – 0.49

Accounts receivable rate & Accounts payable rate are critical KPI for operation fund.

**2. Customer structure**

Customer satisfaction, complaints and after service are our crucial KPI. 2016 customer satisfaction scores 85.

**3. Internal procedure**

2016 inventory turnover rate – 3.64

The company equips with internal procedure for severe monitoring on defect rate.

Preferred shipping date/location, the company always achieves.

**4. Learning and career advancement**

2016 revenue/employee – NT\$6,742,000

Training (internal/external) – 13,651 (people)  
SAS advocates IT capability regularly via training classes.  
Patents: 235 (domestic/abroad)  
(2016.01.01 ~ the printing date of this annual book)

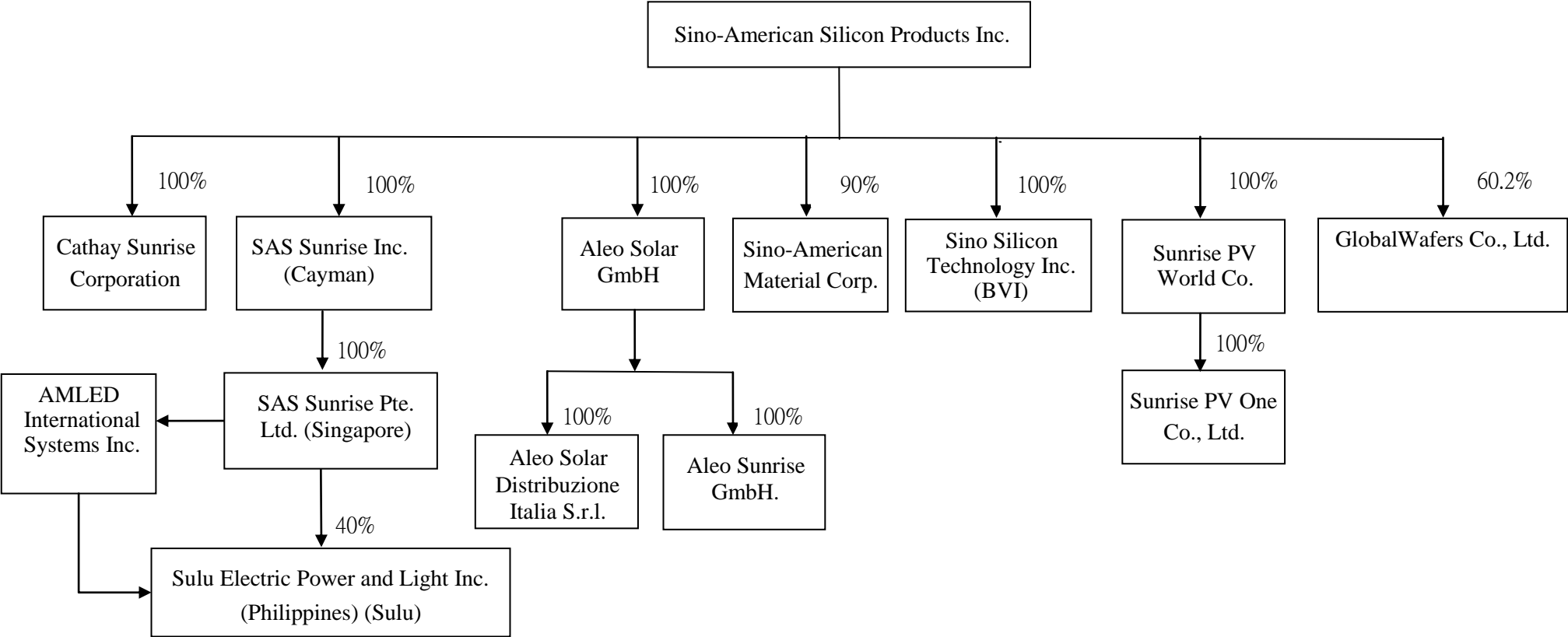
## **7.7 Other Major Events: None**

VIII. Special Disclosure

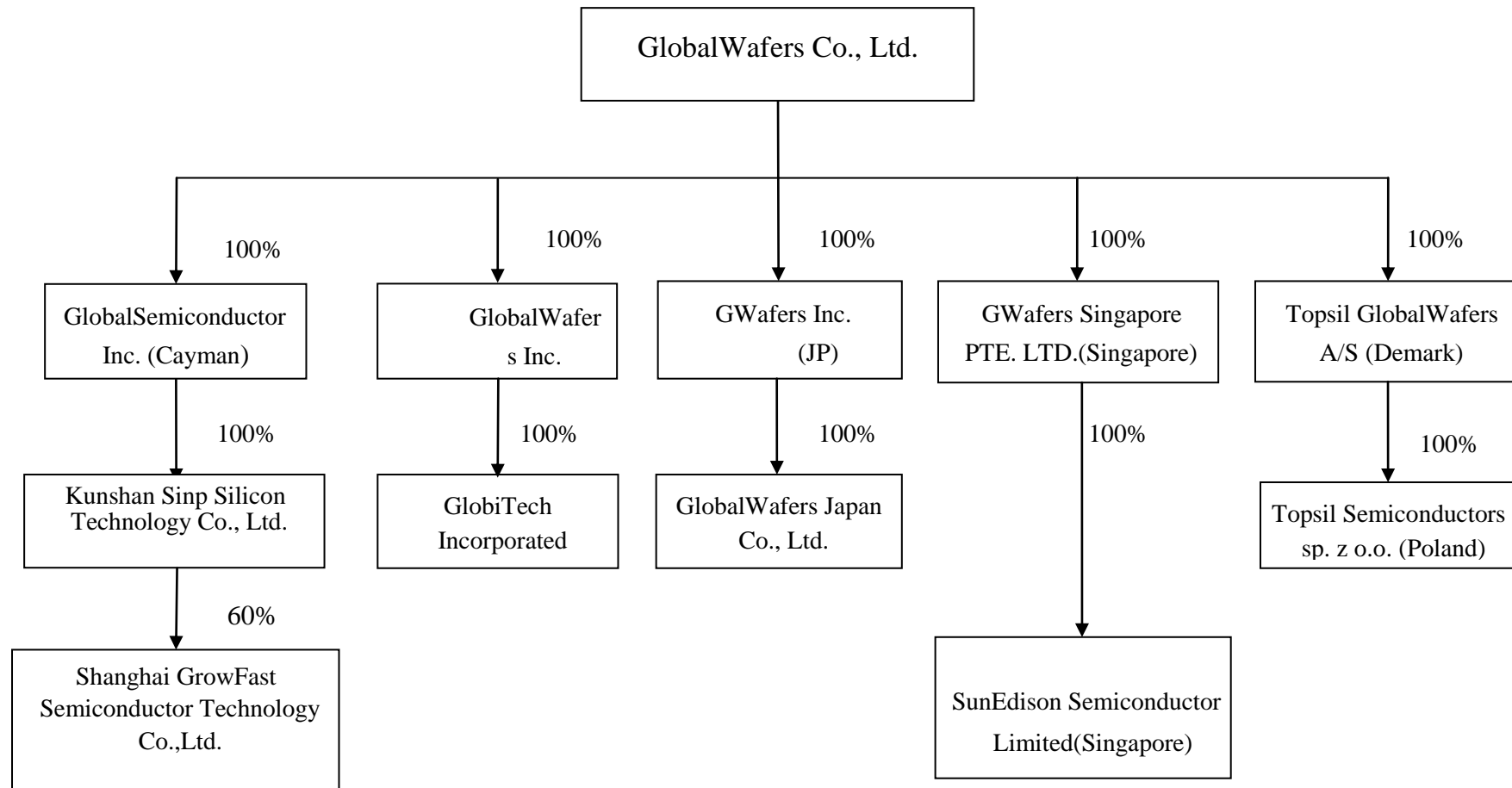
8.1 Affiliated Businesses

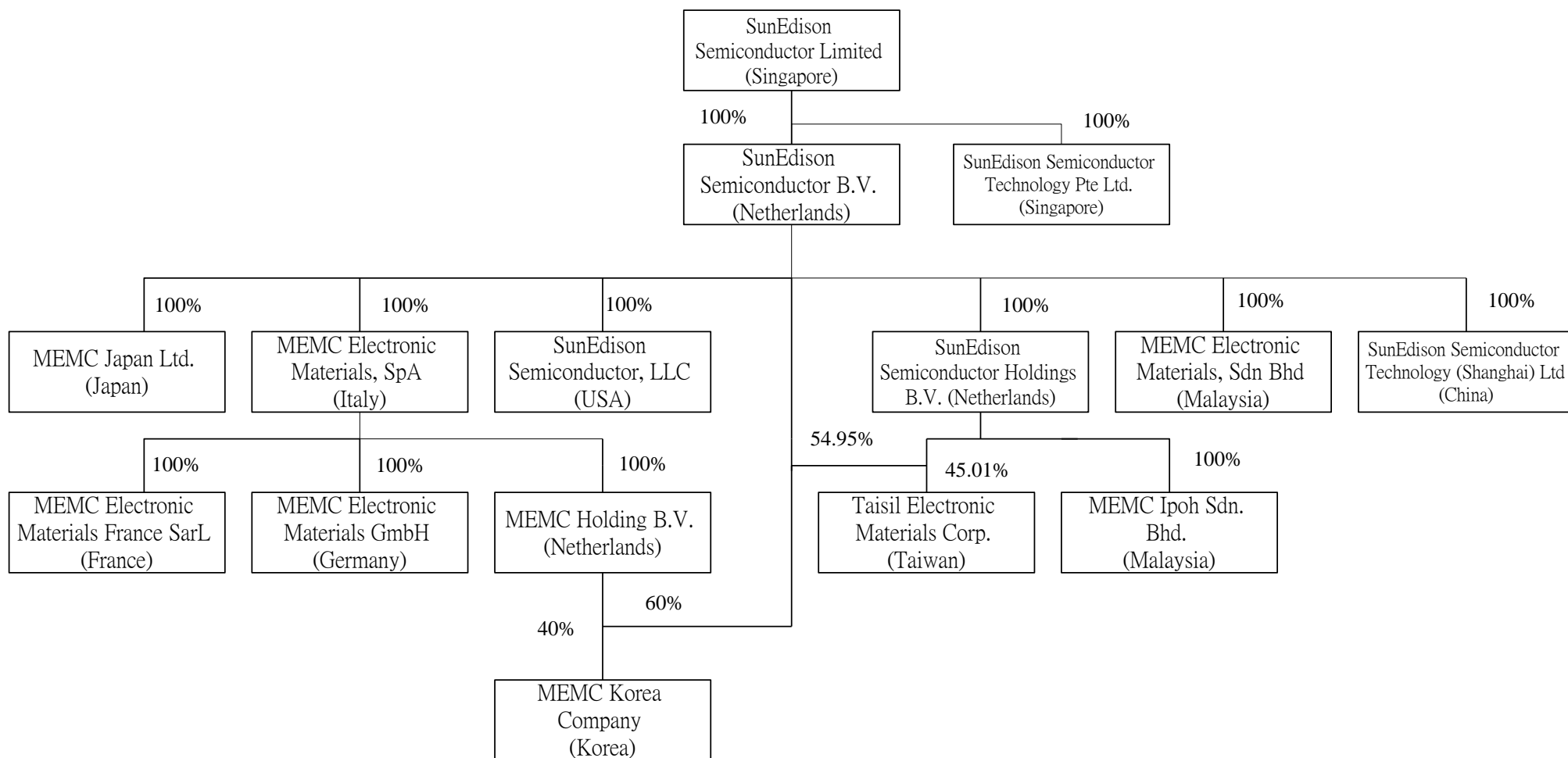
8.1.1 Affiliated Business Consolidated Business Report

8.1.1.1 Affiliated Company Chart









### 8.1.1.2 Relationship with Affiliated Companies and Share Crossholdings

Unit: '000

Name of affiliated company	Establishment	Address	Paid-in Capital	Major Business Items
Sino Silicon Technology Inc.	1999/08/05	3rd Floor, Omar Hodge building, Wickhams Cay 1, P.O. Box 362, Road Town, Tortola British Virgin Islands	USD 48,526	Shareholding, international trading
GlobalWafers Co., Ltd.	2011/10/01	No. 8. Industrial East Road 2, Hsinchu Science Park, Taiwan	NTD 3,692,500	Silicon-based semiconductor materials and their components manufacturing, selling
Aleo Solar GmbH	2014/01/23	Marius-Eriksen-Str.1,17291 Prenzlau, Germany	EUR 13,500	太陽能模組之製造與銷售
Aleo Solar Distribuzione Italia S.r.l	2014/05/16	Viale Trento e Trieste 12/A 31100 Treviso, Italy	EUR 100	太陽能模組銷售
Aleo Sunrise GmbH	2015/08/24	Marius-Eriksen-Str.1,17291 Prenzlau, Germany	EUR 2,500	太陽能電池之製造與銷售
Sino-American Materials Corp.	2014/05/30	No.16, Kuang-Fu North Rd., Hu-kou Township, Hsinchu County	NTD 100,000	Renewable energy source and green building material equipment and system development, manufacturing and sales
SAS Sunrise Inc.	2015/06/04	Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Island	USD 24,500	Invest various business
SAS Sunrise Pte. Ltd.	2015/12/01	8 Wilkie Road #03-01 Wilkie edge Singapore	USD 22,000	Invest various business
Sulu Electric Power and Lights Inc.	2014/01/17	Eastwood, New National Highway, Barangay Salvacion, Municipality of Palo, Leyte, Philippines	PHP 1,050,000	Power generation business
AMLED International Systems Inc.	2015/01/09	3B Bakawan Bldg., Westmont Village, 8227 Dr. Santos Ave., Paranaque city, Philippines	PHP 3,000	Invest various business
Sunrise PV World Co.	2015.12.09	No.1 Sec. 2 Ligong 1st Rd., Chengyu village, Wujie Township, Yilan	NTD 300,000	Power generation business
Sunrise PV One Co., Ltd. (SPV1)	2016/03/29	No.1 Sec. 2 Ligong 1st Rd., Chengyu village, Wujie Township, Yilan	NTD 2,000	Power generation business
Cathay Sunrise Corporation	2017/01/03	No.1 Sec. 2 Ligong 1st Rd., Chengyu village, Wujie Township, Yilan	NTD 1,000	Power generation business

December 31, 2017

Name of affiliated company	Establishment	Address	Paid-in Capital	Major Business Items
GlobalWafers Inc.	2011/05/11	1st Floor, Windward 1, Regatta Office Park, P.O. Box 10338,Grand Cayman KY1-1003	USD 1	Invest various business and trilateral trade center with its subsidiary in China
GlobalSemiconductor Inc.	2011/05/11	1st Floor, Windward 1, Regatta Office Park, P.O. Box 10338,Grand Cayman KY1-1003	USD 26,555,000	Invest various business

GWafers Inc.	2011/10/25	5-10-6, Nishiogikita, Suginami-ku, Tokyo, Japan	JPY 8,000,000	Invest various business
Kushan Sino Silicon Technology Company	1999.08.01	Kushan industrial park, Kushan City, Jiangsu Province, China	USD 26,555,000	Processing trades of silicon ingot etc.
Shanghai Growfast Semiconductor Technology Corp.	2016/05/20	No. 181, Paushan city industrial park, Shanlien Rd., Shanghai 200444	RMB 2,000,000	Sales and marketing
GlobiTech Incorporated	1998/12/15	200 FM 1417 West/Sherman, TX 75092, U S A	USD 1	Epitaxial wafer and EPI foundry trade
GlobalWafers Japan Co.,Ltd.	2011/04/01	6-861-5, Seiro-machi Higashiko, Kitakanbara-gun, Niigata Prefecture 957-0197, Japan	JPY 6,967,000,000	Semiconductor wafer manufacturing, selling
GWafers Singapore Pte. Ltd.	2016/02/02	8 Wilkie Road, #03-01 Wilkie Edge, Singapore	USD 550,000,000	Invest various business
Topsil GlobalWafers A/S	2016/07/01	Siliciumvej 1, 3600 Frederikssund, Copenhagen, Denmark	DKK 1,000,000	Semiconductor wafer manufacturing, selling
Topsil Semiconductor sp z o.o.	2016/07/01	133 Wolczynska St., 01-919 Warsaw, Poland	PL 5,000	Semiconductor wafer manufacturing, selling
SunEdison Semiconductor Limited	2013/12/20	Block D #01-41A, 11 Lorong 3 Toa Payoh, Singapore 319579	-	Investment, sales and trading business
SunEdison Semiconductor B.V.	2013/11/26	Naritaweg 165, Telestone 8, 1043BW Amsterdam, the Netherlands	USD 100	Invest various business
SunEdison Semiconductor Technology Pte Ltd.	2014/05/15	9 Battery Road, #15-01 Straits Trading Building, Singapore, 049910	SGD 1	Invest various business
MEMC Japan Ltd.	1979/12/11	Utsunomiya Plant 11-2 Kiyohara Industrial Park, Utsunomiya City, Tochigi 321 3296 Japan	JPY 100,000,000	Semiconductor wafer manufacturing, selling
MEMC Electronic Materials, SpA	1990/08/01	Viale Gherzi, 31 28100 Novara, Italy	EUR 31,200,000	Semiconductor wafer manufacturing, selling
SunEdison Semiconductor, LLC	2013/08/28	501 Pearl Drive St. Peters, MO 63376, USA	USD 10	Semiconductor wafer development, manufacturing, selling
SunEdison Semiconductor Holdings B.V.	2013/11/26	Naritaweg 165, Telestone 8, 1043 BW Amsterdam, the Netherlands	USD 100	Invest various business
MEMC Electronic Materials, Sdn Bhd	1972/06/15	Sungai Way Free Industrial Zone, 47300 Petaling Jaya, Selangor Darul Ehsan, Malaysia	MYR 1,036,203	Semiconductor wafer development, manufacturing, selling
SunEdison Semiconductor Technology (Shanghai) Ltd	2015/04/21	Room 03B, Floor 16, Jiaqi Building, 666 Gubei Road, Changning District, Shanghai, China	RMB 1,500,000	Trading business
MEMC Electronic Materials France SarL	1998/08/24	5-7 BLD EDGAR QUINET 92700 COLOMBES, France	EUR 16,000	Trading business
MEMC Electronic Materials GmbH	1998/03/06	c/o Rene Schaeffler-Steinsdorfstr, 13, D-80538 Muenchen, Germany	EUR 200	Trading business

MEMC Holding B.V.	2000/04/20	Naritaweg 165, Telestone 8, 1043 BW Amsterdam, the Netherlands	EUR 20,000	Invest various business
Taisil Electronic Materials Corp.	1994/09/26	No. 2, Creation Road 1, HsinChu Science Park, Hsin chu, Taiwan	NTD 4,600,000	Semiconductor wafer, manufacturing, selling
MEMC Ipoh Sdn. Bhd.	2007/10/10	No 5 Jalan Klebang 1 5 Kinta Free Trade Zone Chemor Ipoh Perak, 31200 Malaysia	MYR 699,374,130	Semiconductor wafer development, manufacturing, selling
MEMC Korea Company	1990/12/18	854, Manghyang-ro, Sunggeo-eup, Cheonan-si, Chungchongnam-do, Korea	KRW 86,000,000	Semiconductor wafer, manufacturing, selling

#### **8.1.1.3 Common Shareholders of SAS and Its Subsidiaries or Its Affiliates with Actual of Deemed Control: None**

#### **8.1.1.4 Business Scope and the Affiliated Companies**

The Company and its affiliated enterprises engage in below business:

A. Research and development, design, manufacture and sell the following products:

- (a) Silicon-based semiconductor materials and their components
- (b) Varistor
- (c) Photovoltaic and communication materials
- (d) Sapphire wafer and patterned substrate

B. The technology, management and advisory business related to the products listed above.

C. Photovoltaic system integration and installation services.

D. Import-export activities related to the above mentioned business.

### 8.1.1.5 List of Directors, Supervisors and Presidents of Affiliated Companies

2016/12/31

Name of affiliated company	Title	Name or representative	Shares held	
			Shares or capital contribution	%
Sino Silicon Technology Inc.	Director	Sino-American Silicon Products Inc. Representative: Ming-Kuang Lu	48,526,237 Shares	100%
GlobalWafers Co., Ltd.	Chairwoman/ President	Hsiu-Lan Hsu	222,293,000 Shares	60.20%
	Director	Sino-American Silicon Products Inc. Representative: Ming-Kuang Lu		
	Director	Sino-American Silicon Products Inc. Representative: Tan-Liang Yao		
	Director	Kuo-Chou Chen		
	Independent Director	Chieh-Hsiun Cheng		
	Independent Director	Chun-Yen Chang		
	Independent Director	Ming-Chang Chen		
Aleo Solar GmbH	No board of directors		0	100%
Aleo Solar Distribuzione Italia S.r.l	No board of directors		0	100%
Aleo Sunrise GmbH	No board of directors		0	100%
Sino-American Materials Corp.	Chairman	Sino-American Silicon Products Inc. Representative: Sheng-Cheng Tseng	9,000,000 shares	90%
	Director	Sino-American Silicon Products Inc. Representative: Hsiu-Lan Hsu		
	Director	Sino-American Silicon Products Inc. Representative: Ching-Lung Chang		
	Director	Tang-Liang Yao		
SAS Sunrise Inc.	Director/ President	Sino-American Silicon Products Inc. Representative: Cheng-Hung Huang	24,500,000 shares	100%
	Director	Sino-American Silicon Products Inc. Representative: Ming-Kuang Lu		
	Supervisor	Sino-American Silicon Products Inc. Representative: Hsiu-Lan Hsu		
SAS Sunrise Pte. Ltd.	Director	Sino-American Silicon Products Inc. Representative: Ming-Kuang Lu	30,934,300 shares	100%
	Director	Sino-American Silicon Products Inc. Representative: Hsiu-Lan Hsu		
	Director	Sino-American Silicon Products Inc. Representative: Tan-Liang Yao		
	Director	Sino-American Silicon Products Inc. Representative: Cheng-Hung Huang		
	Director	Sino-American Silicon Products Inc. Representative: Woo Heng Thong		
Sulu Electric Power and Lights Inc.	Chairman	Sino-American Silicon Products Inc. Representative: Cheng-Hung Huang	892,500,000 share	85%
	Director/ President	Ben-Hur F. Castillo		
	Director	Sino-American Silicon Products Inc. Representative: Mike da Silva		
	Director	Sino-American Silicon Products Inc. Representative: Gilbert S. Castro		
	Director	Sino-American Silicon Products Inc. Representative: Dr. Arcelie T. Castillo		

AMLED international System	Director/ President	Michael Da Silva	0	0%
	Director	Gilberto Castro		
	Director	Magdalena Dela Cruz		
	Director	Alfonso Dela Cruz		
	Director	Thess Quicho		
	Director	Melekon Constructions, Inc. Representative: Ted Reyes		
Sunrise PV World Co.	Chairman	Sino-American Silicon Products Inc. Representative: Ming-Kuang Lu	500,000 share	100%
	Director/ President	Sino-American Silicon Products Inc. Representative: Cheng-Hung Huang		
	Director	Sino-American Silicon Products Inc. Representative: Hsiu-Lan Hsu		
	Supervisor	Sino-American Silicon Products Inc. Representative: Tan-Liang Yao		
Sunrise PV One Co., Ltd. (SPV1)	Chairman	Sino-American Silicon Products Inc. Representative: Cheng-Hung Huang	200,000 share	100%
	Director/ President	Sino-American Silicon Products Inc. Representative: Cheng-Hung Huang		
	Director	Sino-American Silicon Products Inc. Representative: Tan-Liang Yao		
	Supervisor	Sino-American Silicon Products Inc. Representative: Hsiu-Lan Hsu		
Cathay Sunrise Corporation	NA	NA	100,000 share	100%

Name of affiliated company	Title	Name or representative	Shares held	
			Shares or capital contribution	%
GlobalWafers Inc.	Director	Hsiu-Lan Hsu	90,000,000 Shares	100%
GlobalSemiconductor Inc.	Director	Hsiu-Lan Hsu	25,000,000 Shares	100.0%
GWafers Inc.	Director	Hsiu-Lan Hsu	0 Share	100%
	Director	Einoshin Endo		
Kushan Sino Silicon Technology Company	Chairman	GlobalWafers Co., Ltd. Representative: Tan-Liang Yao	0 Share	100%
	Vice Chairwoman	GlobalWafers Co., Ltd. Representative: Hsiu-Lan Hsu		
	Director/ President	GlobalWafers Co., Ltd. Representative: Ching-Chang Chin		
	Director	GlobalWafers Co., Ltd. Representative: Sheng-Hsiung Hong		
	Director	GlobalWafers Co., Ltd. Representative: Ming-Huei Chien		
	Supervisor	GlobalWafers Co., Ltd. Representative: Wei-Wen Chen		
Shanghai Growfast Semiconductor Technology Corp.	Chairman	Ching-chang Chin	0	100%
	Director	Hsiu-lan Hsu		
	Director	Hsien-han Her		
	President	Sheng-hsiung hong		
	Supervisor	Wen-wen Chen		
	Supervisor	Takanori Suzuki		
GlobiTech Incorporated	Chairman/CEO	GlobalWafers Co., Ltd. Representative: Hsiu-Lan Hsu	1 Share	100%
	Director	GlobalWafers Co., Ltd. Representative: Ming-Kuang Lu		
	Director	GlobalWafers Co., Ltd. Representative: Tan-Liang Yao		
	Director/	GlobalWafers Co., Ltd.		

	President	Representative: Mark England		
	Director	GlobalWafers Co., Ltd. Representative: Curtis Hall		
GlobalWafers Japan Co., Ltd.	Chairman	GlobalWafers Co., Ltd. Representative: Hsiu-Lan Hsu	128,002 Shares	100%
	Director	GlobalWafers Co., Ltd. Representative: Ming-Kuang Lu		
	Director	GlobalWafers Co., Ltd. Representative: Tan-Liang Yao		
	Director	GlobalWafers Co., Ltd. Representative: Takeshi Araki		
	Director	GlobalWafers Co., Ltd. Representative: Toru Masaoka		
	Supervisor	GlobalWafers Co., Ltd. Representative: Chung Wei Lee		
GWafers Singapore Pte. Ltd.	Chairman	Hsiu-Lan Hsu	550,000,028 share	100%
	Director	Tan-Liang Yao		
	Director	Ming-Kuang Lu		
	Director	Chin-Tang Hu		
Topsil GlobalWafers A/S	Director	Hsiu-Lan Hsu	1,000,000 share	100%
	Director	Wei-Wen Chen		
	Director	Hans Peder Mikkelsen		
	Director	Sune Bro Duun		
	Director	Jesper Leed Thomsen		
Topsil Semiconductor sp z o.o.	No Board of Directors		100 share	100%
SunEdison Semiconductor Limited	Director	Hsiu-Lan Hsu	42,391,750	100%
	Director	Mark Lynn England		
	Director	Heng Thong Woo		
SunEdison Semiconductor B.V.	Director	Hsiu-Lan Hsu	100	100%
	Director	Johannes Petrus Vincentius Gerardus Visser		
SunEdison Semiconductor Technology Pte Ltd.	Director	Noor Hasna D/O Jani	1	100%
MEMC Japan Ltd.	Director & Chairman	Hsiu-Lan Hsu	0	100%
	Director & President	Takashi Araki		
	Director	Chung-Wei Lee		
	Supervisor	Masashi Sugahara		
MEMC Electronic Materials, SpA	Chairman	Mauro Pedrotti	65,000,000	100%
	Director	Ming-Huei Chien		
	Director	Chih-Hsing Lu		
	Director	Prof. Gianluigi Tosato		
	Supervisor	Richard Murphy		
	Supervisor	PierMario Barzaghi		
	Supervisor	Eleonora Guerriero		
SunEdison Semiconductor, LLC	President	Mark England	1,000	100%
	Vice President	Rick Boston		



SunEdison Semiconductor Holdings B.V.	Director	Chih-Hsing Lu	100	100%
	Director	Johannes Petrus Vincentius Gerardus Visser		
MEMC Electronic Materials, Sdn Bhd	Director	Ching-Chang Chin	1,036,203	100%
	Director	Tony Wang		
	Director	Joanne Leung		
SunEdison Semiconductor Technology (Shanghai) Ltd	No Board of Directors		0	100%
MEMC Electronic Materials France SarL	No Board of Directors		500	100%
MEMC Electronic Materials GmbH	No Board of Directors		2	100%

MEMC Holding B.V.	Director	Ming-Huei Chien	200	100%
	Director	Johannes Petrus Vincentius Gerardus Visser		
Taisil Electronic Materials Corp.	Chairman	Hsiu-Lan Hsu	459,816,000	99.96%
	Director	Ying-Sheng Hsueh		
	Supervisor	Ming-Huei Chien		
MEMC Ipoh Sdn. Bhd.	Director	Ching-Chang Chin	699,374,130	100%
	Director	Tony Wang		
	Director	Joanne Leung		
MEMC Korea Company	Chairman	Hsiu-Lan Hsu	17,200,000	100%

### 8.1.1.6 Operation Highlights of Affiliated Companies

Financial status and operation of affiliated companies

2015/12/31 Unit: NTD \$1000

Name Of Affiliated Company	Capital	Assets	Liabilities	Net Worth	Operating Income	Operating Profit	Income (After Tax)	EPS (After Tax)
Sino Silicon Technology Inc.	1,425,603	1,140,687	21,774	1,118,913	0	(3,716)	(9,893)	0
GlobalWafers Co.,Ltd	3,692,500	41,847,769	26,073,065	15,774,704	6,749,320	667,833	939,485	2.54
Aleo Solar GmbH	558,139	1,278,608	886,124	392,484	2,429,492	96,603	(65,824)	0
Aleo Solar Distribuzione Italia S.r.l	4,078	117,381	114,606	2,775	376,595	(7,329)	(7,580)	0
Sino-American Material Corp.	100,000	48,463	8,613	39,850	27,879	(26,405)	(26,299)	0
SAS Sunrise Inc.	794,373	1,055,230	280,965	774,265	0	(11,270)	21,062	0
Sulu Electric Power and Light Inc.	737,896	3,092,084	2,367,969	724,114	105,029	(6,550)	9,010	
AMLED International Systems Inc.	0	0	0	0	0	0	(9,059)	0
Aleo Sunrise GmbH	91,250	396,327	442,235	(45,908)	278,900	(130,941)	(130,823)	0
SAS Sunrise Pte. Ltd.	719,292	718,328	0	718,328	0	(2,007)	21,992	0
Sunrise PV WorldCo. (SPW)	300,000	360,737	67,391	293,346	9,380	(4,038)	(6,654)	0
Sunrise PV One Co.,Ltd. (SPV1)	2,000	144,056	142,532	1,524	0	(216)	(476)	0
Cathay Sunrise Corporation	1,000	1,000	0	1,000	0	0	0	0

Name Of Affiliated Company	Capital	Assets	Liabilities	Net Worth	Operating Income	Operating Profit	Income (After Tax)	EPS (After Tax)
GlobalWafers Inc.	1	3,539,870	0	3,539,870	0	0	57,788	0
GlobalSemiconductor Inc.	756,809	950,332	9,053	941,279	46,964	6,902	67,882	0
Gwafers Inc.	2,713	9,460,624	333	9,460,291	0	(101)	918,344	0
Kunshan Sino Silicon	769,177	1,232,373	325,376	906,997	1,926,071	67,536	58,924	0
Shanghai Growfast Semiconductor Technology Co.	9,756	5,144	72	5,072	0	(823)	(821)	0
GlobiTech Incorporated	1	4,613,782	1,073,912	3,539,870	4,250,350	111,058	73,937	0
GlobalWafers Japan Co., Ltd.	2,750,510	13,690,837	4,238,539	9,452,298	10,215,355	699,856	475,716	0
GWafers Singapore Pte. Ltd.	17,504,000	16,779,476	134	16,779,342	0	(154)	(744,986)	0

Topsil GlobalWafers A/S	4,832	1,970,893	235,701	1,735,192	377,246	(25,231)	(146,057)	0
Topsil Semiconductor sp z o.o.	41	299,162	345,550	(46,388)	1,231,789	(63,120)	(56,594)	0
SunEdison Semiconductor Limited	0	40,426,711	23,744,755	16,681,956	21,093,619	(923,045)	(739,168)	0
SunEdison Semiconductor B.V.	3	37,327,323	7,039,201	30,288,122	0	(7,922)	(217,823)	0
SunEdison Semiconductor Technology Pte Ltd.	0	0	0	0	0	0	0	0
MEMC Japan Ltd.	28,020	2,129,278	1,908,289	220,989	5,487,435	434,232	649	0
MEMC Electronic Materials, SpA	1,061,244	9,634,566	2,327,460	7,307,106	7,625,012	(222,457)	(176,688)	0
SunEdison Semiconductor, LLC	0	8,764,712	5,393,474	3,371,238	2,745,935	(3,049,276)	(785,309)	0
SunEdison Semiconductor Holdings B.V.	3	8,081,774	0	8,081,774	0	0	0	0
MEMC Electronic Materials, Sdn Bhd	7,452	1,435,475	303,595	1,131,880	1,907,690	90,842	(23,868)	0
SunEdison Semiconductor Technology (Shanghai) Ltd	7,527	16,834	3,635	13,199	0	0	220	0
MEMC Electronic Materials France SarL	544	1,691	0	1,691	0	0	(2,497)	0
MEMC Electronic Materials GmbH	7	8,803	4,293	4,510	0	965	(73)	0
MEMC Holding B.V.	680	1,291,856	3,350	1,288,506	0	376	(90,269)	0
Taisil Electronic Materials Corp.	4,600,000	23,456,736	3,198,387	20,258,349	8,822,784	1,010,857	38,019	0
MEMC Ipoh Sdn Bhd	5,029,535	0	1,034,480	(1,034,480)	1,564,749	131,552	8,750	0
MEMC Korea Company	2,343	6,078,418	2,711,158	3,367,260	4,807,981	229,569	(215,265)	0

Foreign exchange rate as of 2016/12/31 USD:NTD=1:32.25 JPY:NTD=0.2756:1 EUR:NTD=33.90:1

Note1 : All affiliated enterprises shall be disclosed regardless of operation scale

Note2 : If an affiliated enterprise is foreign, related figures shall be exchanged to NTD as of the report date.

### 8.1.2 Consolidated Financial Statements of Affiliated Enterprises

## Statement

Pursuant to the "Regulations Governing Preparation of Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements, Reports on Affiliations", and Statements of Financial Accounting Standards", SAS shall prepare the affiliates' consolidated financial statements and issue the declaration, which has been issued and placed in the affiliates' financial statement from January 1 to December 31, 2016. No further consolidated financial reports on affiliated enterprises shall be printed.

Sino-American Silicon Products Inc.

Chairman      Ming-Kuang Lu

March 23, 2017



**8.1.3 Consolidated Financial Statements of Affiliated Enterprises**

Please refer to 6.4 of the audited consolidated financial statements of 2015.

**8.1.4 Affiliation Reports: Not applicable.****8.2 Private Placement Securities in the Most Recent Years: NA****8.3 The Shares in the Company Held or Disposed of By Subsidiaries in the Most Recent Years: NA****8.4 Other Necessary Supplement: NA****8.5 Any Events And as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: NA**

**(END)**